

BUSINESS WEEK

Ceiling
On The Boom — PAGE 19



George D. Hanby: A new stance for a stand-up chain (page 48)

A MCGRAW-HILL PUBLICATION

JULY 1, 1950

TWENTY-FIVE CENTS

At Ease and In Fashion...with a Tinier-Than-Ever Hearing Aid



*... thanks to the newest
Mallory "A" Battery,
the smallest ever produced*

Because the tiny new hearing aids can be worn so comfortably and inconspicuously, the man or woman who needs help with hearing is completely at ease—and just as smart in appearance. The size of modern hearing aids has again been reduced as a result of the further evolution of the Mallory Mercury Battery which first made possible the design of compact, self-contained instruments.

The newest Mallory "A" Battery is smaller than a thimble and it weighs less than half an ounce. But that is only part of the story. It contributes to "lifelike" reproduction... with long, uninterrupted service... without bothersome fading.

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*Handy purse or pocket size carton contains
a month's supply of Mallory "A" Batteries
... powerhouse for the smallest, lightest,
most compact hearing aids ever made.*

B.F. Goodrich

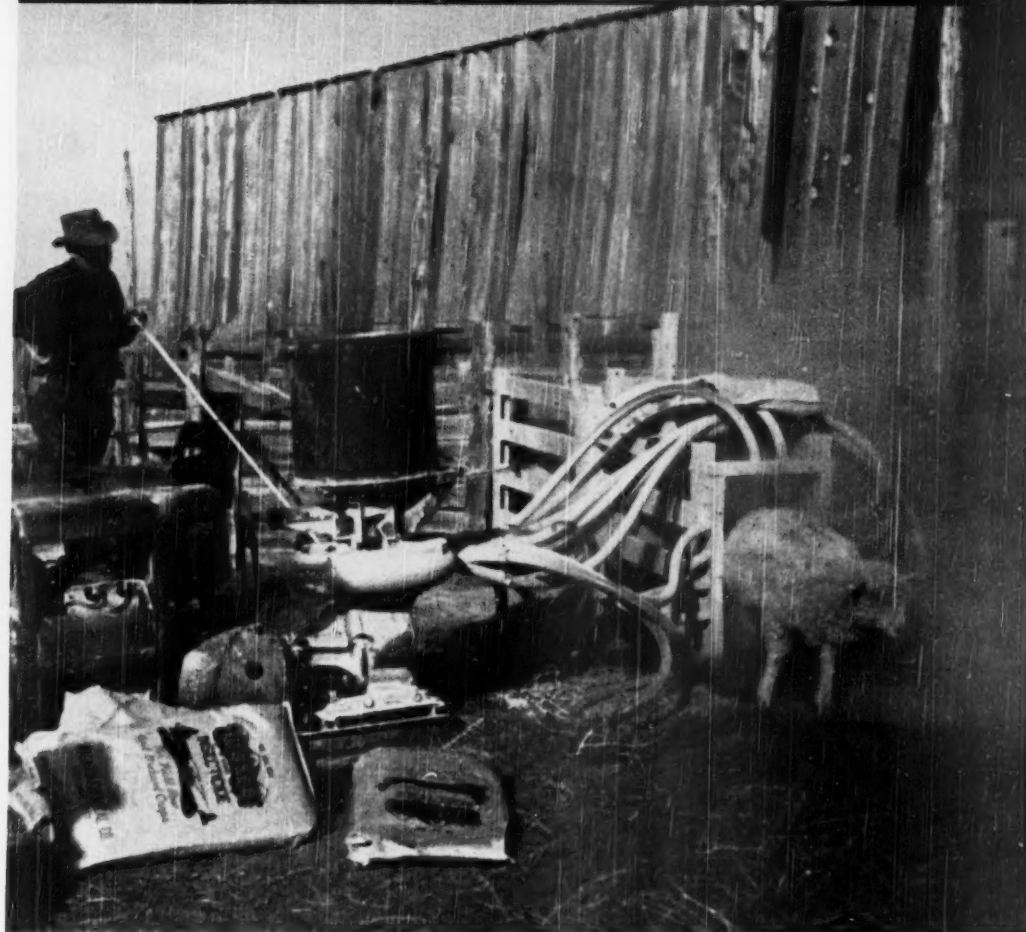


Photo courtesy Wauson Chemical Co.

Sheep in a 100-mile-an-hour dust storm

A typical example of B. F. Goodrich improvement in rubber

POWDER zips through rubber hose at 100 miles an hour to kill ticks on sheep. Forty sheep are dusted in one minute. That high speed is needed to force the powder through the tangled wool.

But the sharp dust particles at 100-mile speed caused friction that wore out the metal tubes. It was a constant expense and, of course, when a tube broke all work stopped. B.F. Goodrich men were called in. Could rubber help?

B.F. Goodrich already had an air hose with a rubber lining that stands five times as much wear as metal. It was tried on the sheep duster, has shown no wear at all, and even cleans the sheep faster because it carries 25 per cent more dust.

B.F. Goodrich air hose has been improved in many other ways too. So have B.F. Goodrich conveyor belts, V belts and scores of other kinds of hose — because product improvement is a

policy and constant program at B.F. Goodrich. If you use air hose or other industrial rubber goods, don't decide any product you may buy is the best to be had without first seeing your BFG distributor and finding out what B.F. Goodrich research may have done recently to improve it. *The B.F. Goodrich Company, Industrial and General Products Division, Akron, Ohio.*

B.F. Goodrich
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Since that time, The Travelers Companies have been quick to accept and profit by many other new ideas and products. One of them is the use of Consolidated Enamel Papers, produced by a revolutionary new enamel papermaking process. Consolidated Enamel's cost, averaging 15 to 25% below those of the old style, premium-priced papers formerly used, means a saving of many hundreds of dollars a year on *The Travelers Protection* magazine, oldest house organ in America.

Consolidated's modern process produces these savings as simply as other *continuous* production methods have long done in other industries. By eliminating several costly operations still required in other mills, it produces consistently uniform paper of highest quality, simultaneously enameled on both sides, in a single high-speed operation.

Unfortunately, while many leading companies like The Travelers are benefiting from this modern production improvement, others still think it necessary to pay premium prices for premium results. Is *your* company one? If so, we'll welcome your challenge to prove our claim that Consolidated Enamel Papers give the finest printing at the lowest cost.

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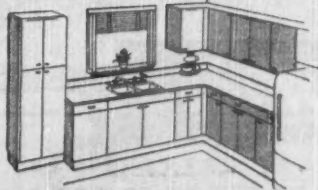
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A PARTIAL LIST OF LYON PRODUCTS

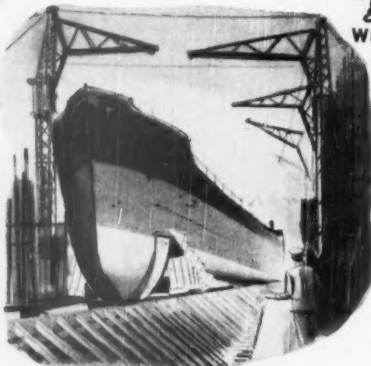
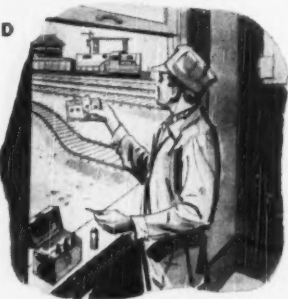
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| * Shelving | * Kitchen Cabinets | * Filing Cabinets | * Storage Cabinets | * Conveyors | * Tool Stands | * Flat Drawer Files |
| * Lockers | * Display Equipment | * Cabinet Benches | * Bench Drawers | * Shop Boxes | * Service Carts | * Tool Trays |
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interesting facts

RUST PREVENTIVES • WATER TREATMENT

COSTLY LAB TESTS ELIMINATED ...with a \$750 kit

Checking Diesel cooling water—to guard against corrosion—formerly involved costly equipment, time-consuming lab tests. Now the same job is done economically, quickly with the Dearborn Chromokit ... cost only \$7.50. All that's needed is the kit, instructions, an eye-dropper sample of the cooling water.



"greasing" the ways WITH DEARBORN NO-OX-ID

The enterprising ship builder found a new use for NO-OX-ID "A Special" normally used to protect decking, ship bottoms and the like. To insure a perfect landing, he "greased" the ways with the "A Special," reported its lubricating qualities "did an excellent job."



HOW TO LIVE WITH CONTAMINATION ...and like it

Contamination pumped from the oil well lay directly over the gas line ... within a year the ordinary coating spent itself, the pipe crumbled. A new line was laid and coated with a NO-OX-ID combination. Eight years later the pipe was inspected. Its condition? A-1.

Whether you operate an industrial or processing plant ... a utility or a pipe line ... a railroad or a steamship line ... Dearborn's specialized experience in water treatment is available to help conduct your business more efficiently, more economically.

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THE MAN WHO WANTED TO TYCOON!

(A QUIETLY WISTFUL BALLAD) *by Mr. Friendly*



As the businessman spoke, his eyes filled with tears,
"My poor wife has worn the same diamonds for years.
With the same old diamonds, how can she snub
Her dearest friends at the women's club?"

He sobbed, "As for me . . . my wants are few,
I'd like to buy the Yanks, or possibly Peru . . .
But with costs going up like an eager balloon
And with accidents too . . . I can barely tycoon!"

(Here Mr. Friendly offers him American Mutual's
tycoon insurance . . . a special service that's
reduced costly accidents, overhead and high premiums
for hundreds of businesses. With a chance to save
up to 20% through dividends, too, the man is sold!)

We saved him so much and he felt so grand
He bought himself 30 acres of land,
Which sounded quite modest until you knew
That it covered Times Square and 5th Ave. too!



AMERICAN MUTUAL

... the first American liability insurance company

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save on your present policies. Learn how to
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Boston 16, Mass. Branch offices in 77 cities.
Consult classified Telephone directory.

Where in the world?



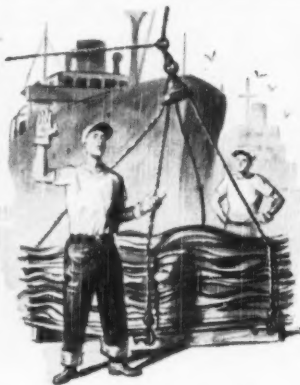
1...was it fashionable to wear shoes built on platforms?



2...do tribal natives wear feathered shoes to hide their footprints?



3...did a king first popularize the wearing of high heels?



4...is the largest source of hides and skins?

Shoes were one of man's earliest inventions for overcoming distance. Now, thanks to the telephone, you can reach most of the world's countries from your own home or office! Just say to the Long Distance operator: "I want to make an overseas call"—and your voice will be sent winging across the ocean. Whether you want to visit with a favorite friend who is traveling abroad—or settle an overseas business deal—do it by telephone! The cost? Surprisingly low.

4. Argentina

3. France (Louis XIV)

2. Australia

1. Italy

BELL SYSTEM OVERSEAS TELEPHONE SERVICE



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"One lump or two?"

When it comes to figuring which of these Sahara station wagons is preferable, we'll confess even a Monroe won't help. But for every other figuring or accounting problem, we'll shout this fact from camel, horse, or piggy-back: Monroe's your answer! For simplicity, for efficiency—yes, even for comfort! And that, Effendi, goes for *all* figure problems. For by the beard of the Prophet, whatever your figure need,

Monroe makes the model to meet it.



Whatever your figuring job is
Monroe makes the model to do it



Monroe **CALCULATING** Machine

NEW MODEL CSA! The very latest type fully automatic has just the features required for the economical handling of all your general business figure work.



Monroe **ADDING** Machine

RHYTHM-ADD! Operators rave about the effortless speed of Rhythm-add, give credit to Monroe design, "Velvet Touch" keyboard, and glareless cushion-top keys.



Monroe **ACCOUNTING** Machine

VERSATILE! A multi-purpose bookkeeper that handles several kinds of jobs. Like all Monroes, its "Velvet Touch" is one reason operators who know prefer Monroe.

"VELVET TOUCH" originated in 1935 to describe Monroe's matchless ease of operation.

Every Monroe is sold only through Monroe-owned branches, serviced by Monroe's factory-trained organization.

MONROE MACHINES FOR BUSINESS

Monroe Calculating Machine Company, Inc., General Offices, Orange, N. J.

AMERICAN-Standard

First in heating . . . first in plumbing

Quick Change

RECIPE: take one faithful old boiler or furnace burning coal or oil. Add one new Stanflame Conversion Burner by American-Standard. And overnight, you've got a work-saving, light-it-and-forget-it automatic gas-fired heating unit.

Yes, the brand-new Stanflame Conversion Burner is the easy way to make a quick change from other kinds of home heating.

The Stanflame is scientifically engineered and precision built for top efficiency and long service at very reasonable cost. It burns any kind of gas . . . manufactured, natural, mixed, liquefied petroleum, or L.P. air . . . and burns it so you get complete combustion.

This new burner by American-Standard, making the comfort of automatic gas heating available at minimum cost to everyone, adds another to the comprehensive line of American-Standard products.

And it adds, too, to your assurance that whatever your heating and plumbing needs, whether for residence, factory, school, hospital, office building, hotel or ocean liner, you will find exactly the right products to meet them in the American-Standard line.



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BUSINESS OUTLOOK

BUSINESS WEEK

JULY 1, 1950



We no longer are in a peacetime economy.

Even if the Communists should back down in Korea, we have had a warning of what can happen any time in all or any of the Asiatic nations bordering on the U.S.S.R. The answer will be more money for arms.

And more arms will have to be at the civilian economy's expense.

Controls over the economy aren't likely to come soon. This is a political year. Also, it will take time to boost arms output (page 19).

But you were reminded on Wednesday of what can happen. The mere fact that President Truman was meeting with National Security Resources Board chairman, W. Stuart Symington, highspotted future possibilities.

Symington has been blueprinting the shift to war production.

And any plan for even a partial shift to war production has to provide money, men, and materials—by crimping various sectors of civilian supply.

One thing the Korean crisis assures: We aren't going to have to worry about any business decline of serious proportions.

Consumers this week began to buy things they are afraid will be hard to get later on. That will puff up business volume.

And arms spending is likely to be on the rise for several years.

Metals highlight the problems of building arms and automobiles, too. For, in metals, we find our severest shortages.

Take the use of zinc. Latest figures are a little out of date, but they give the idea. Consuming industries used 79,700 tons in March. This, says the Bureau of Mines, was the largest since January, 1947.

By contrast, domestic production of zinc was only 74,700 tons.

Prices were caught in some severe cross-currents this week. It wasn't at all easy to read what they might be forecasting. Moreover, trends shifted from day to day and almost from hour to hour.

Stock prices quite clearly don't like the prospect of war—or even of an armament-making economy (robust though it would be).

First selling on Monday might have been written off to fear. Others who sold had profits which they saw fit to take.

But beyond these two volatile groups were slower-to-act investors. They fear excess-profits taxation for pay-as-you-go arming. They look for controls on civilian output, on materials, on prices.

Among stock buyers were investors who see today's prices as bargains.

Commodity prices show even less certainty than the stock market.

Raw materials that we import had the widest initial gains. Speculators figure the trade routes will be dangerous in case of declared war, that bottoms to move these cargoes will be at a premium in any event.

But, by Wednesday, trading in such key items as rubber cooled off.

Domestic commodities, meanwhile, inclined to strength. There was inflation talk. But lead, certainly a war metal, dropped ½¢ a lb.

Wheat and cotton have been edging higher.

Buying in grains reflected somewhat the new government-support prices.

But there is the feeling, too, that we must feed and clothe Asiatics

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

JULY 1, 1950

to dull communism's appeal to them; it is not a matter of arms alone for their protection.

•
Anti-inflation campaigns are bound to gain impetus (even while increased arms spending may be in the blueprint and contract-letting phase):

(1) The Treasury, in order to minimize deficit financing through the banks (which would pump up the money supply), will press E-bond sales. But, as more old baby bonds mature, it's harder to effect a net gain.

(2) Pressure for controls on consumer credit will increase.

•
War scares notwithstanding, there were plenty of new records—or talk of new records—on the home front this week.

The Federal Reserve Board now confirms the general belief that its production index has equaled or exceeded 1948's peacetime peak of 195.

C. E. Wilson, General Motors' chief, predicts that auto and truck output this year will hit 8-million units (U. S. and Canada). The previous peak, set last year, was 6,650,000.

Consumption of new rubber in May set a high of 109,237 long tons.

Television people talk expansion to a 12-million set annual capacity.

•
Meeting present traffic needs is going to keep the railroads busy.

At least, that's the opinion of the Great Lakes regional shippers' advisory board. This group says its area will need 16.6% more freight cars in the coming third quarter than it did a year earlier.

The increase is one of the largest ever forecast by the board. Gains are seen for commodities in 31 of the 36 classifications.

•
Soft goods seem finally to be enlarging their slice of retail sales.

Dollar volume of the country's department stores in the week ended June 17 pulled 6% ahead of a year ago. The New York Federal Reserve District, just even with a year ago, made the poorest showing. Best were Atlanta and Dallas, both with 12% gains.

All retail sales for May, aided by one more shopping day than a year ago, were up 7%. But that gain still was heavily weighted on the durable goods side—notably by lumber, hardware, automotive.

•
Employment in manufacturing has been rising steadily. But it hasn't been keeping pace with the boom.

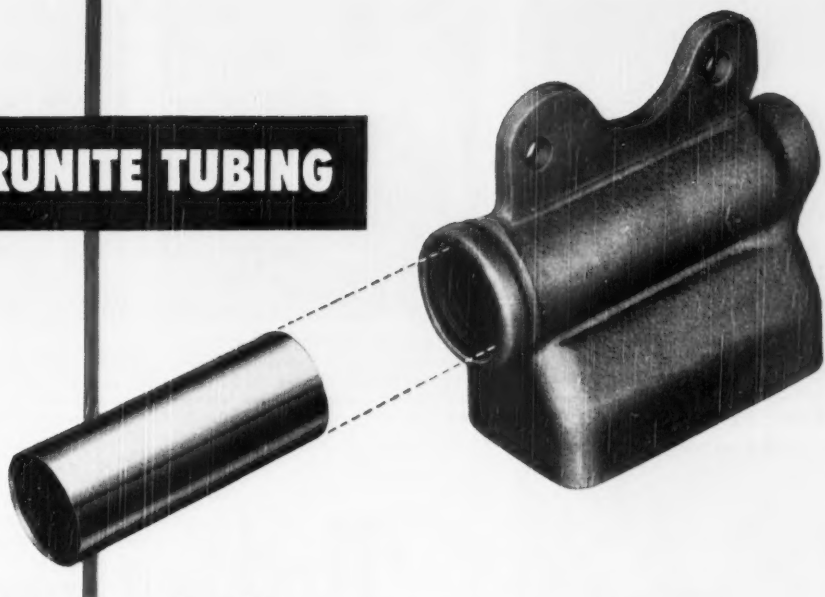
Factories had 14,324,000 employees in May, the Bureau of Labor Statistics estimates. That's the highest since March, 1949. But it's still well below the postwar high of 15,617,000 in September, 1948.

This probably means that factory output could be pushed up further as far as manpower is concerned—if materials were to be had.

But a big reason for high output with lower employment is more and better equipment, plus employee overtime. Weekly hours in durable goods last month averaged 40.8, highest in about two years. That means many workers were on the job well over 40 hours.

•
Remember Technocracy? It didn't wither and die after its brief flurry in the Great Depression. The press once again is receiving its propaganda for balanced work, shorter weeks, retirement at age 45.

ELECTRUNITE TUBING



Inserts *New Life* in "Worn Out" Products



It would be difficult indeed to count the number of "stops" in the life of an automotive master brake cylinder. Eventually, however, it does wear out.

And there's where ELECTRUNITE Tubing enters the picture—in the form of economical, long-lasting inserts. Press fitted into the worn cylinders, these inserts literally inject a new lifetime into an otherwise worn out product.

Simple? Yes, when the manufacturer adopted ELECTRUNITE Tubing. Until then, variations

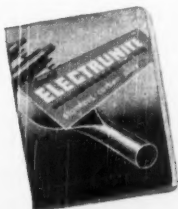
in tubing wall thickness, concentricity and surface finish had made this operation impractical from a cost standpoint.

Perhaps you, too, have a product which can be given a new lease on life through the use of ELECTRUNITE Tubing. Many manufacturers are finding that the design possibilities of tubing enable them to put new profit blood in products suffering from sales anemia.

Why not do the same?

REPUBLIC STEEL CORPORATION

STEEL AND TUBES DIVISION • CLEVELAND 8, OHIO
Export Department: Chrysler Building, New York 17, N. Y.



Send for Booklet S-1 . . . for an inside track on the way you can rejuvenate interest and sales appeal in "worn out" products by redesigning with modern ELECTRUNITE Tubing.

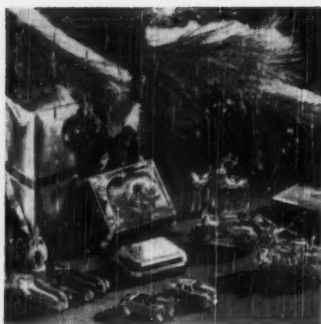


ELECTRUNITE TUBING

CARBON AND STAINLESS STEEL • MECHANICAL TUBING • PRESSURE TUBING • STRUCTURAL TUBING • ELECTRICAL METALLIC TUBING



X-ray tubes that prove inner soundness of castings, giant transmitter tubes, television picture tubes, electronic tubes for scores of purposes—all last longer, work better because of better evacuation of atmosphere with DPi-engineered equipment.



Toys, metallized wrapping materials, jewelry, sequins emerge from DPi vacuum-coating chambers—beautiful, durable, and so inexpensive that much of it can be sold over dime-store counters.



Automobile headlights containing reflectors coated under high vacuum make night driving safer. Your new car also is beautified by plastic name plates, horn button, and other interior ornamentation metallized under high vacuum.



High vacuum dehydration has greatly extended the shelf-life of vaccines and serums . . . and has thereby lowered the cost of precious pharmaceuticals.



New metals for turbo-jet aircraft engines are refined and cast in electric furnaces from which air has been evacuated by DPi high vacuum pumps.

Nothing improved these products

NOTHING means—getting rid of air and gas, creating the highest vacuum for the job.

In the absence of interfering molecules of air, many products can be processed faster and cheaper, new products created, old ones improved.

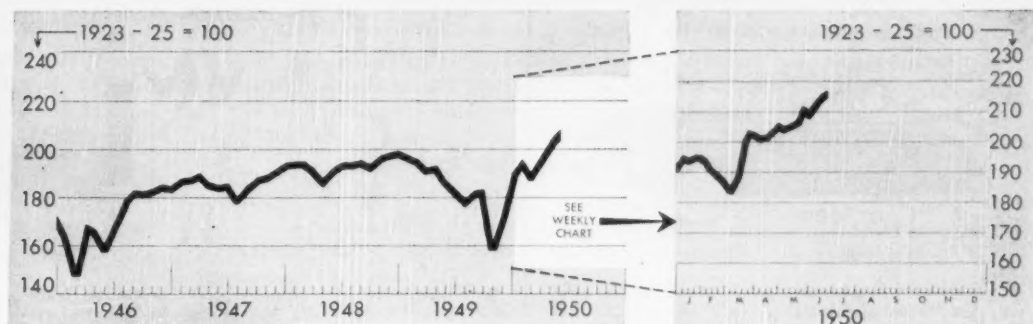
Perhaps high vacuum can serve you. DPi builds equipment which makes high vacuum a practical, inexpensive production tool, applicable in many surprising ways. If you would like to learn how high vacuum can work for you, or if you wish to improve your present high vacuum operations, write to: Vacuum Equipment Department, *Distillation Products Industries*, 739 Ridge Road West, Rochester 3, N. Y., (Division of Eastman Kodak Company).

**high vacuum research
and engineering**

DPi

Also . . . vitamins A and E . . . distilled monoglycerides . . . more than 3300 Eastman Organic Chemicals for science and industry.

FIGURES OF THE WEEK



Business Week Index (above) *216.9 †215.6 211.6 186.2 162.2

PRODUCTION

	\$ Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Steel ingot operations (% of capacity)	101.2	101.2	101.5	79.9	97.3
Production of automobiles and trucks	205,820	†204,704	186,249	153,001	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	\$43,663	\$42,035	\$38,566	\$32,211	\$19,433
Electric power output (million kilowatt-hours)	6,102	6,012	5,894	5,466	3,130
Crude oil and condensate (daily average, 1,000 bbls.)	5,355	5,347	4,993	4,944	3,842
Bituminous coal (daily average, 1,000 tons)	1,753	†1,768	1,602	365	1,685

TRADE

Miscellaneous and L.c.I. carloadings (daily average, 1,000 cars)	77	76	72	71	86
All other carloadings (daily average, 1,000 cars)	57	56	52	38	52
Money in circulation (millions)	\$26,926	\$26,993	\$26,908	\$27,345	\$9,613
Department store sales (change from same week of preceding year)	+6%	+5%	-2%	-8%	+17%
Business failures (Dun & Bradstreet, number)	147	178	214	196	228

PRICES (Average for the week)

Cost of Living (U. S. Bureau of Labor Statistics, 1935-1939 = 100), May	168.6		167.3	169.2	105.2
Spot commodity index (Moody's, Dec. 31, 1931 = 100)	398.0	394.4	390.0	335.4	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	240.9	240.6	234.4	207.8	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	327.6	325.5	327.9	294.0	146.6
Finished steel composite (Iron Age, lb.)	3.837¢	3.837¢	3.837¢	3.705¢	2.396¢
Scrap steel composite (Iron Age, ton)	\$37.67	\$39.00	\$37.25	\$19.33	\$19.48
Copper (electrolytic, Connecticut Valley, lb.)	22.500¢	22.500¢	20.500¢	16.000¢	12.022¢
Wheat (No. 2, hard winter, Kansas City, bu.)	\$2.13	\$2.15	\$2.26	\$1.98	\$0.99
Sugar (raw, delivered New York, lb.)	5.81¢	5.79¢	5.74¢	5.87¢	3.38¢
Cotton (middling, ten designated markets, lb.)	33.80¢	33.65¢	33.50¢	32.56¢	13.94¢
Wool tops (New York, lb.)	\$2.33	\$2.33	\$2.25	\$2.10	\$1.41
Rubber (ribbed smoked sheets, New York, lb.)	29.57¢	28.99¢	30.45¢	16.45¢	22.16¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.)	146.8	150.3	148.5	111.9	78.0
Medium grade corporate bond yield (Baa issues, Moody's)	3.30%	3.28%	3.26%	3.48%	4.33%
High grade corporate bond yield (Aaa issues, Moody's)	2.62%	2.62%	2.62%	2.71%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average)	14-11%	14-11%	14-11%	14-11%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	14-14%	14-14%	14-14%	14-14%	4-8%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks	48,040	47,942	47,380	46,319	††27,777
Total loans and investments, reporting member banks	67,843	67,299	66,951	62,606	††32,309
Commercial and agricultural loans, reporting member banks	13,532	13,459	13,359	13,292	††6,963
Securities loans, reporting member banks	2,289	2,292	2,314	2,322	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks	36,873	36,505	36,359	34,515	††15,999
Other securities held, reporting member banks	5,709	5,689	5,608	4,529	††4,303
Excess reserves, all member banks	670	930	630	966	5,290
Total federal reserve credit outstanding	18,261	18,270	17,683	20,113	2,265

*Preliminary, week ended June 24.

††Estimate (BW—Jul. 12'47, p16).

‡Revised.

§Date for "Latest Week" on each series on request.



1. Touring Ted and family said: "It's time for our vacation. We've packed the car, we're on the road, we're off to see our nation! We plan to fill each day with thrills, but what we'll like the best is staying at the Statler—where you really *are* a guest!"



2. "They've got some *special services* that tourists really cheer, like Statler's friendly 'Service Aide,' who'll serve *you* while you're here. She'll point out points of interest—where to go, and what to do—or help you plan a happy day at ball park, beach, or zoo.



3. "From fixing babies' formulas to cooking adult dishes, the chefs at Statler have no peers; each meal is just delicious! They've special children's menus, special plates and silver, too, and, thrill of thrills for any child, balloons when they are through!"



4. "The Statler sends a bowl of fruit as gift for little guests. And Statler's famous beds (or cribs) insure them all-night rests. If touring parents want to leave to dance, or stroll around, they get a Statler sitter who'll keep children safe and sound."



5. And when at last it's time to go, our happy touring bunch is overjoyed to find that Mom has ordered a box lunch. The "Service Aide" has maps they need to plan their trip that day. And Touring Ted cries: "Tourists—the Statler's where to stay!"



STATLER HOTELS: NEW YORK (FORMERLY HOTEL PENNSYLVANIA)
 BOSTON • BUFFALO • CLEVELAND
 DETROIT • ST. LOUIS • WASHINGTON
 STATLER OPERATED: HOTEL WILLIAM PENN • PITTSBURGH

WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JULY 1, 1950



We are committed, and whether there is war now is up to the Russians.

It's a calculated risk. Behind Truman's dramatic decision is unanimous agreement among top officials that Korea won't set off World War III—that Russia isn't ready to fight. At press time, that was still the assumption.

The stand is tough, and sure to put extra pressure on the economy (page 19).

The best to expect if the maneuver succeeds is more of the cold war—an armed peace, with defense costs rising far enough to bring a threat of economic controls.

The worst will be atomic war, if Washington has miscalculated. Europe is the spot to watch. If Russia does decide to force things to a showdown, it will need to grab Germany, France, and the Low Countries.

Note the scope of the commitment. It rings Communist Asia with a policy that communism must "halt, or we start shooting."

The line we will fight for already had been drawn in western Europe and the Near East. Now it runs from Korea and Formosa down through Indo-China. Wherever communism pushes out, we are committed to push it back—with arms.

That spreads U. S. strength pretty thin. The line is long.

More arms production will be the military answer, even if Korea is held to a "local incident." A rise was in prospect anyway, to put muscle in the Atlantic Pact. Now the feeling is that there's more urgency in the move, if U. S. strategy is to impress Russia, keep her from marching.

Bigger arms spending raises the danger of inflation. The economy is tight, with little slack in either manpower or materials.

An extra \$2-billion to \$3-billion could be absorbed without dangerous inflation. That's the current thinking of Truman's economic advisers.

Above that amount, controls would be proposed to regulate the flow of materials and hold prices down. Even the \$2-billion-to-\$3-billion fight would bring price rises. Any defense expansion of consequence would bring on a scramble for scarce materials and push things up a bit.

Full mobilization will come only if war appears imminent. Plans for the government to take over direction of the whole economy already are in bill form. They have been shaped up over the past two years by the National Security Resources Board. They cover the whole range of controls—price ceilings, food rationing, material allocation, wage ceilings, manpower controls, recapture of excess profits, etc. They are for war.

Truman was forced into the "Korea Doctrine." It was a quick decision, without time to detail steps necessary for the follow-through.

The big consideration was that U. S. prestige simply could not stand up under another Soviet blow, what with the China debacle and the push for Communist power in southeast Asia fresh in all minds, the world around.

So, it will take time for the full impact to become clear.

Congress applauds the move. There is little doubt that in the heat of the war scare, Truman can get whatever powers or money he needs to back his stand. Members won't resist defense in an election year.

The draft-act extension was rushed through, not on the planned

WASHINGTON OUTLOOK (Continued)

**WASHINGTON
BUREAU
JULY 1, 1950**

standby basis, but with full power for Truman to induct, if necessary.
Bipartisan support for foreign policy now has a chance for revival.

No changes are yet being made in the legislative schedule. Congress leaders are following the official line that Korea won't erupt into war.

The plan is to clean up the "must" list, pass any new defense measures Truman may need, and get out of Washington until after elections. But hostile Russian moves would upset the plan.

Congress may recess, not adjourn. That way, its own leaders, not Truman, would determine whether Congress comes back if things get hot later on.

•
Business opposition to the House tax bill is mounting. You may see a hot Senate fight to win major revisions (page 26) and, if that fails, to block the bill. Here are the big objections:

"Temporary" wartime excises are merely cut, not repealed. The stumps left in the law may well become a permanent part of the tax structure.

The new corporation tax is graduated—adopts the principle that corporate ability to pay can be measured by the amount of profits. That's the theory of the individual income tax and, when applied to corporations, might lead to a real "soak the big" policy.

The politics of the House bill: cuts for consumers on a long list of excises. Cuts in income tax for 190,000 "small" companies. Little or no change for 160,000 companies. A sharp rise for 25,000 "big" companies.

It fits the Truman formula of benefits for the many at the expense of the few and gives the White House tight control of the bill.

•
Reports that Sawyer will resign are current again, spread by Fair Dealers who don't like his handling of the Remington loyalty case. But there's no sign Truman will force his business spokesman out of the cabinet.

Oscar Ewing, Federal Security Administrator, is the big reason Congress won't O.K. Truman's plan for a Dept. of Health & Welfare. Ewing might head the new agency and use it to push his government medicine scheme.

•
Democrats are losing some of their cockiness about November. The defeat of Sen. Pepper in Florida was explained away as a local matter. But now the defeat of Sen. Graham (who wore a Fair Deal label) in North Carolina is causing party leaders to worry about the possibility of a conservative trend. There's more talk of "holding our own," and less of big gains.

On the other side, Republican spirits are rising. The GOP experts aren't making any claims about capturing the House and Senate. But they are talking confidently about making some gains, especially in the House, where the Democrats hold a big block of seats that normally belong to Republicans.

It's beginning to look more like a horse race, with Truman standing less of a chance of upsetting the conservative coalition in Congress.



ZERO^{reader}

Among the many companies that have purchased a Sperry Zero Reader for their executive aircraft are:

Bethlehem Steel Co.—Lockheed Lodestar
 W. K. Carpenter—Beechcraft
 Avco Manufacturing Corp.—Lockheed Lodestar
 Texas Eastern Transmission Corp.
 Douglas DC 3
 Briggs Manufacturing Co.—Grumman Mallard
 Champion Spark Plug Co.—Beechcraft
 Gaylord Container Corp.—North American B-25 and Beechcraft
 C. F. Kettering, Inc.—Grumman Mallard
 Union Producing Co.—Douglas DC 3 and Lockheed Lodestar
 General Electric Co.—Douglas B 23
 The Fuller Brush Co.—Grumman Mallard
 General Mills, Inc.—Douglas DC 3
 Signal Oil and Gas Co.—Douglas DC 3
 Arthur Godfrey Productions, Inc.
 Douglas DC 3
 Plymouth Oil Co.—Douglas DC 3

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- The Zero Reader supplies information from five essential instruments... presents all this data on one indicator—heading, altitude, attitude, and instrument landing information. The pilot merely "zeros" two instrument pointers and is relieved of all complex mental calculations. The difficult task of making a manual approach on Instrument Landing Systems becomes a routine procedure.
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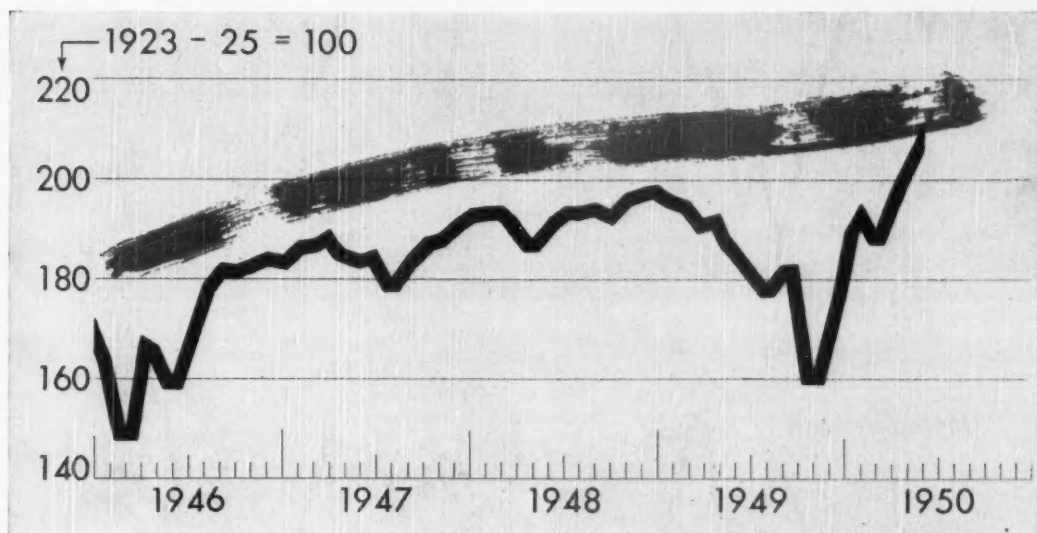
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As Korea Erupts: Business Is at a Ceiling

Even before the flare-up in the East, the economy was edging toward inflation. There's not much room for munitions.

The U.S. now has a shooting war on its hands. That much is plain. The real question is: How much of a war?

The answer to that question will be the thing that shapes the course of the U.S. economy in coming months. It will determine how deeply military orders bite into civilian production, what happens to prices, whether we get new taxes and new government controls.

• **At Ceiling**—When you try to figure the impact of our new military commitments on the domestic economy, you have to remember this: U.S. business is already close to a production ceiling. Any grand-scale increases in the military share will have to come right out of civilian production. We have no untapped reserves of manpower, plant, or materials.

• **Basic Change**—Washington is going on the calculated assumption that the Russians aren't ready for a real war. It thinks we can clean out Korea with no more than local shooting—in Korea and perhaps in one or two other spots in the Far East.

But even if the Kremlin backs down, U.S. military plans will be fundamentally different. We won't go along as

though nothing had happened. The Russian thrust into Korea has given us at least a sample of the kind of military demands that inevitably arise from the kind of military alliances we are making around the world.

At the very least, the U.S. will have to speed up the armament plans that are tied in with its Atlantic Pact obligations. In the fiscal year ending June 30, 1951, this will mean a boost in military

spending of something like \$2-billion. There would be more orders than that, but it would take time to get delivery. In fiscal 1952, spending probably would step up \$5-billion to \$6-billion over the present rate of \$13.5-billion a year.

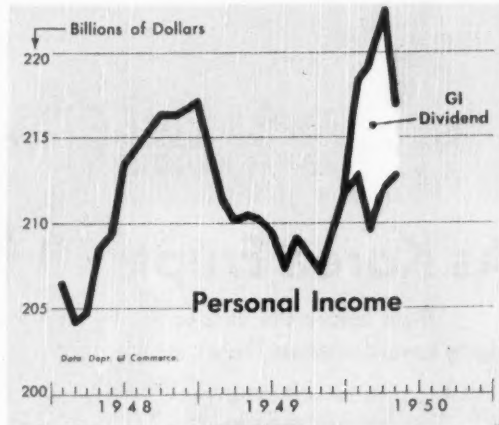
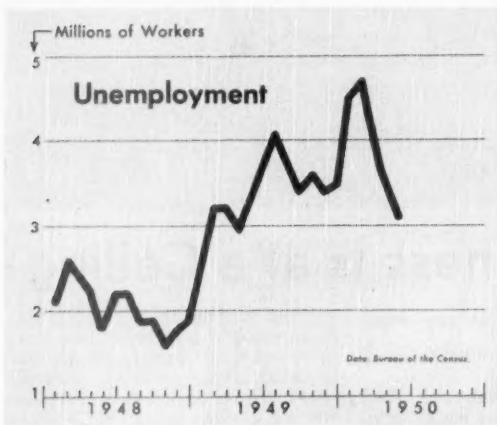
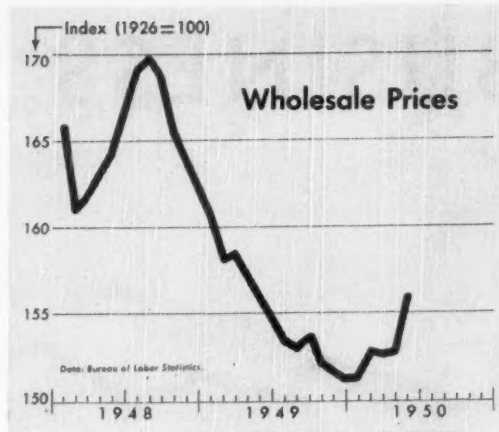
• **Inflation**—This is the minimum increase in military spending that you can expect. (If it turns out that Washington has guessed wrong on the Russian reaction, you can write up all programs accordingly.) Even this increase—\$2-billion in the next 12 months—is going to give an inflationary kick to the U.S. economy. There isn't much room in the production system to layer in a new batch of war orders.

Just before the Korean crisis, business was gaining enough momentum to shove it up against a sort of ceiling. It was moving out of the area where ample supplies of materials and manpower are available to increase production. It was pushing up into a zone where one bottle-neck after another develops, as consumers try to buy more goods. In this zone, an increase in demand doesn't call forth more output; instead, it brings a rise in prices or the sudden appearance of gray markets.

• **Rising Curve**—This ceiling isn't a clean straight line. It is an area—an area where the going gets tougher and

THE KOREAN CRISIS

- What condition it finds the U.S. economy in..... P. 19
- How it changes the situation in the Far East..... P. 73
- How the government in Washington is reacting..... P. 15
- Its significance for the cold war..... P. 71
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FOUR BASIC INDICATORS sketch a picture of an economy with not very much slack left in it to meet military demand.

tougher as demand increases. The ceiling is different for different commodities. And it is different at different times. Since the end of the war, increases in plant capacity and the growth of the labor force have pushed it steadily higher.

In terms of the **BUSINESS WEEK** index, the ceiling in 1948 was somewhere around the 200 mark. When business activity got up to that level, the economy was running with the safety valve tied down. It was a superbloom rather than a boom. Prices went up crazily; a long list of major commodities was critically short; manpower was too scarce for efficient operation.

Since the end of 1948, business has spent some \$26-billion on new plant and equipment. The labor force has grown by something like 14-million additional workers. Obviously, that has raised the production ceiling. But this week, with the **BUSINESS WEEK** index pushing 215, there were definite indications that again we were getting close

to the upper limits on production:

- Steel output—scheduled at more than 100% of capacity for the eleventh straight week—still wasn't enough to satisfy hungry steel users. Smaller steel companies were edging their prices upward. Conversion deals were common.

- Wholesale prices were up smartly from the lows they hit toward the end of last year.

- Shortages were showing up in a number of key commodities—lumber, nonferrous metals, cement.

- Unemployment in May was down to 3.1 million. That's close to a bedrock minimum for an unregulated economy not running under forced draft. In June, unemployment among the inexperienced took a jump because school ended and the tide of temporary workers hit the job market. But all over the U.S., employers are finding it harder and harder to hire skilled workmen.

- The cost-of-living index in May (page 62) scored its biggest rise since

July, 1948, at the height of the postwar inflation.

- The Federal Reserve index of industrial production pushed back up to 195, matching the 1948 peak. And the chances are that the FRB index is understating the present level of production by as much as 10 points.

Add all this up and you have a picture of a boom that already is close to the upper limits of the country's productive capacity. We are now seesawing along the edge of the zone where prosperity turns into inflation.

- **A Little Room**—If total demand—civilian and military—stayed about where it is, the chances would be all against any real inflation. There is still some elbowroom in the economy, particularly in things like food and clothing. The summer letdown is almost upon us, and ordinarily that would take some of the pressure off prices.

But what happens if you start piling on more military business?

Washington economists argue that

another \$2-billion or so of military spending won't be enough to tip the balance toward inflation. Anything more than that, they say, and you'll have to hold your hat—or have it held for you by government controls. But \$2-billion can be shoehorned in.

They reason that, percentage-wise, \$2-billion isn't much to an economy with a total output of goods and services somewhere around \$260-billion. Moreover, all the current output of steel isn't going into consumption;

some of it is going into inventory. And in the fall, automobile production may sag off from its present record-breaking clip. All this will leave room for some expansion in armaments.

Business economists aren't so sure. They point out that once you hit the ceiling it doesn't take a big shot of additional purchasing power to set an inflation going. And if the U.S. consumer and the U.S. Army start bidding against each other, there's no telling how high the auction will go.

Court Revamps Can Marketing

American and Continental must keep machine-renting and can selling separate, change pricing policies.

Biggest factor in the can-making industry for many years has been American Can Co.; next in size is Continental Can Co. Between them, they produce 80% of the cans sold in the U. S. They also produce and lease most of the high-speed, automatic can-closing machines—without which the tin can is almost useless.

But this week, it looks as though the biggest factor in the can industry for the next few years will be Judge George Harris of the federal district court in San Francisco.

• **Two Decrees**—In an antitrust decree handed down against American Can Co. last week—and a similar one against Continental Can Co. this week—Judge Harris spelled out exactly how the two companies must now conduct their business.

The decrees are the followup of the judge's opinion handed down last fall that American Can had violated the Sherman and Clayton acts.

The government then asked the court to order a splitup to end these illegal practices. The government wanted American Can Co. to dispose of its can-closing-machinery business and thus end the tie-in of can-closing machines to can sales.

• **Blueprint**—Judge Harris in his decree last week refused to order this divestiture. But he devoted most of his judgment to a blueprint of exactly how American (and also Continental) must sell cans and can-closing machinery in the future. Most of the provisions run for five years from Jan. 1, 1950; some run for 10 years.

Here are some of the high spots:

• **Tie-in contracts** requiring can customers to use only American Can closing machines are out. So are contracts binding users of closing machinery to buy their cans from American Can.

• The "lease only" policy for can-closing machines is ended. The company must offer to sell and actually sell machines to applicants under precise

methods and priorities specified by the judge.

• **Closing-machine rentals** in the future must return a reasonable profit to the company. The machines may not be installed in a can customer's plant at uneconomically low rentals on condition that the customer buy his cans from American Can.

• **Requirements contracts**—which bind a can buyer to buy only from American Can—may run no longer than 12 months. Until now, American Can sold more than 90% of its cans through requirements contracts, most of which ran five years.

Antitrusters asked a complete ban on all requirements contracts, regardless of the length of time covered—and they count it a major defeat that the judge ruled in favor of one-year ones.

• The decree bans any can-sales contract or arrangement that covers a multipoint customer for all his business. Sales must be made—and prices fixed—on the basis of sales to individual plants.

• **Price discrimination** is banned by a whole string of injunctions—against rebates, transportation allowances, high prices paid for used machinery, rentals of customers' warehouses. Perhaps most important, American Can may not fix a price differential that favors the requirements-contract customer to the disadvantage of the spot customer who has no contract.

• **Delivered pricing** and freight absorption are permitted—but American Can must also sell f.o.b., and the delivered price can't be any higher than the f.o.b. price, plus freight charges.

• **Appeal Unlikely**—At midweek, it was not known whether the decision would be appealed to the Supreme Court. One guess was that neither side would appeal—the company, because the Supreme Court might possibly order divestiture; the government, for fear of upsetting what it regards as a model court judgment.

TV-Movie Policy

FCC is readying a new ruling that will determine whether movie makers can go into television.

Big movie makers who thought television might be worked into their plans for the future may have to do some drastic rejiggering. The Federal Communications Commission is readying a ruling that may bar them.

The toughness of FCC's new policy—due in a month or so—will obviously shape Hollywood's future distribution patterns, as well as TV programming itself. What the movie makers want to know is whether they will be able to own and operate their own stations, or be restricted to just selling film.

• **FCC Comes In**—FCC got into the question when the Justice Dept. recommended during the Paramount antitrust negotiations that FCC withhold licenses from the movie companies.

• **Uniform Policy**—Then, in January, FCC announced it was thinking about establishing a uniform policy for handling applications of those who had violated the antitrust laws or other federal laws in the nonradio field.

• **Protest**—This brought the movie industry to its feet, shouting. Any sort of ban on antitrust violators would obviously rule out all the major companies tagged in the Justice Dept.'s campaign to separate production of films from exhibition (BW—Jun. 24 '50, p. 26).

Anyhow, they said, the way the Justice Dept. is going nowadays, it won't be long before everybody has been haled into court on one kind of antitrust charge or another.

These arguments have discouraged FCC from writing a blanket policy. But it will continue to consider an applicant's record in establishing whether the applicant is to be given a TV or radio license.

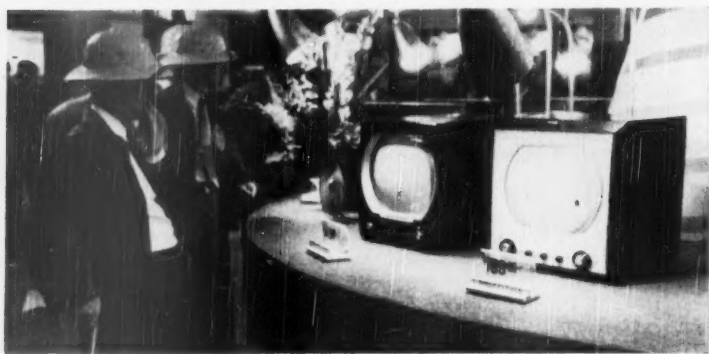
• **Worries**—What worries movie companies more than the antitrust angle is the prospect that FCC might hand down a ruling that frowns on licensing an applicant who is competing in another field with TV.

• **It May Be**—At worst, movie men think that FCC's new policy might be so tough that movies would be barred from TV on the ground that it is a competing communications medium. About the best they can hope is that the movie companies will be able to get licenses if there are no other equally qualified applicants seeking the same license. That wouldn't be as bad as it sounds; the newspapers are on that basis now, and it doesn't hamper them seriously.



CROWD of 5,000 Philco dealers jams Atlantic City's convention hall to look over the new line. It includes a remote-controlled TV unit—

here demonstrated by Palmer Craig, radio and TV engineering director (left), and Leslie Woods, vice-president and director of research



DOLLED-UP dealers with Philco caps and pith helmets ogle new TV table models.

Philco Dealers Gambol



UBIQUITOUS Texans ogle models of a different sort at the bathing beauty contest.



A KISS for the winner; vice-president J. H. Carmine made the presentation for Philco.



RESTING UP from last night's festive dealer naps during the business session.



FANCY JACKETS identify a tribe of dealers from Philco's eastern division.



OFFICIAL PHOTO shows the wife that you really went to the business session.



ACTRESS Vivian Blaine warbled songs for the boys at a night swim show.

"Two things only the people anxiously desire: bread and circus games."

—Juvenal, *Satires*

Philco Corp. gave its dealers and distributors their fill of both bread and circuses last week. To kick off its 1951 lines of TV receivers, radios, and other appliances, Philco summoned 5,000 dealers and 1,200 distributors to Atlantic City for three to five days of hoopla. There were Philco dealers and distributors there from all over the U.S. and from 15 foreign countries. The whole shindig—transportation, food, and lodging—cost more than \$1-million. And Philco picked up the check.

Along with the hoopla, Philco plied its guests with sales talk about its products.

As expected, most of the talk was about TV.

On the day of "the greatest radio and television meeting in Philco history," dealers filled the convention hall by 9:30 a.m. There, they were regaled with a pictorial presentation of the new lines. Hardly a man left the room while a covey of top Philco executives lectured them (with organ swells at the more dramatic moments) on the new remote-control TV unit, the new three-speed record changer, the new "tube-saver." Dealer response was generally enthusiastic—and a new Studebaker was scheduled to be given away at some time during the program. (The drawing came just after the last speech.)

Here are some of the points Philco

executives emphasized during the 31-hour session:

- Philco's starting price (like that of many Philco competitors) for this round in the TV sales battle is \$149.95 for a 12½-in.-screen table model. The highest price in Philco's line is \$695.

- Philco made 400,000 TV sets during the first six months of 1950, expects to pass the 1-million mark by yearend.

- Philco will make more radio sets this fall than in all of 1940—despite TV.

The sweetest fact of the convention to Philco executives' ears, however, was this: Before the distributors left Atlantic City, they had contracted for \$100-million worth of TV sets to be delivered through September.



EE picture. Dealers were encouraged to y duplicates to mail to customers.



ALL WORK and no play makes dull boys, even out of Philco distributors. So they took order books to the beach to figure out dealer allotments while they sopped up sun.



SECTIONAL furniture bulked big at Grand Rapids and . . .



TV VIEWING raised Chicago interest in upholstered units.

Furniture Men: Cheery But Careful

Furniture shows at Chicago and Grand Rapids found prices creeping up, retailers optimistic but already well-stocked.

Furniture buyers were broad grins as they trudged through the semi-annual furniture shows at Chicago and Grand Rapids last week. Business looks good to them for the rest of the year.

• **Marked Differences**—But in spite of the general optimism, there were marked differences in buying at the two shows. At Chicago, buyers held their pocketbooks pretty tight. In Grand Rapids, buying was brisk—as much as furniture makers could handle.

And prices varied a little at the two shows. In Chicago, increases in prices ranged from 1%-6%—due to higher lumber and wage costs. But Grand Rapids prices held pretty much the same as they were in January. What increases there were didn't add up to more than 3%.

Buyers at the Chicago show weren't happy about the increases, but they didn't complain much. Their main worry was whether prices could be held at the new levels. Retailers say they can't absorb any more increases because of high operating costs, and they're afraid consumers may balk if prices go any higher.

Grand Rapids furniture men aren't sure they can hold the present price line. Lumber and some hardware prices are up, and they are afraid labor costs are going up soon. Pensions, they say, are bound to come. And pensions will cost the furniture makers plenty, since many of them maintain

labor forces with a high average age.

Small and medium-sized stores were doing the heavy buying at both shows. But trade talk assigned different reasons for it. In Chicago, some furniture men blamed retailers' cautious ordering on rising inventories, which are climbing faster than sales. Harold G. Davis, furniture economist, told a National Retail Furniture Assn. meeting that mills had increased shipments 12% in the first five months of the year, while retail sales had increased only 5%.

• **Inventories Up**—Members' reports to the NRFA for April and May showed the first retail inventory increases—4% and 5% respectively—in 15 months. Some store owners privately admitted to inventories as high as 15% over yearend stock levels. And retailers are afraid this kind of situation is more prevalent than the figures show. Another factor—big stores did their heavy buying in May, from the factories.

But in Grand Rapids, furniture men thought small stores were buying heavily with an eye to claiming a bigger share of market. Small stores are going out after business that the major stores have held up till now, they say.

• **Southern Contingent**—The southern contingent was among the most optimistic at Chicago. Many big-store buyers had placed orders with them last month. So several southern manufacturers came to market with substantial order backlogs.

A survey of southern manufacturers

showed dollar volume for the first half of 1950 was 27% ahead of the same 1949 period. And representative North Carolina manufacturers report sales this year are running 10%-20% ahead of last year.

• **Upholstered Trend**—There weren't any startling new lines introduced at either of the shows. But the trend to upholstered furniture seems to have taken hold. Upholstered lines weren't particularly strong last year—even in the January shows, there was a lot of bare wood showing. But the TV-in-every-living-room idea has brought about a demand for comfortable, flexible furniture for the whole family's TV viewing.

Sectional furniture carried out the trend—sections can be shifted around easily, to transform living-room corners into TV-viewing spots.

• **Synthetic Rugs**—Floor covering manufacturers were out in full force, to show their new lines of synthetic-fiber carpeting. In spite of price increases that will add up to 18.6% when the latest rise becomes effective in July, carpet manufacturers reported orders double those at last year's market.

Most carpet manufacturers believe research has overcome the early drawbacks to use of synthetic fibers in rugs. One manufacturer predicted carpeting made of all or part synthetic fibers would account for 20%-30% of his company's sales by 1951.

Juvenile-furniture makers did a good business, too. The Hopalong Cassidy craze runs rampant even in furniture. Children's furniture has pushed ahead in the field. Last year, it accounted for 5% of furniture sales.

For Cars: Permanent Demand

You can stop looking for the end of the auto boom, Business Week survey indicates. Most of today's buying is normal replacement demand at a level that goes with high prosperity.

A lot of people are holding their breath for the end of the auto boom. How long, they ask, can we go on rolling out cars at a 74-million-a-year rate. This week a BUSINESS WEEK survey offered a cheerful answer to that question:

Just as long as employment and consumer incomes hold their present levels.

• **Pent-Up Demand**—The tight sellers' market in new cars that sprang up overnight after the war ended was mostly built on pent-up demand. No new civilian cars had been built for close to four years, and everyone who would normally have bought one during that time mobbed the dealers all at once, clamoring for a new car—any new car.

The customary assumption is that this market is still with us. The demand market is supposed to be the foundation that current record output is built on. Once the war-built demand is finally satisfied, the whole structure will start to crumble. Output will drop; employment will drop; steel consumption will drop—and who knows where it will end?

• **Current Demand**—But many auto dealers, and economists both in and out of the auto industry have taken their stand on the other side of the fence. Back before the war, they point out, there wasn't any pent-up demand. Yet a lot of new cars were made, and sold. They were bought to replace older cars, often on a regular replacement plan, every two years or every three years.

The postwar demand market has already been fully satisfied, this group says, and now we have a normal replacement market again. It's a lot bigger than it was before the war, of course, but there are two very good reasons for that: (1) There are a lot more cars on the road today to be replaced; and (2) a lot more car owners today can afford to replace their cars regularly every two or three years.

If you hold this view, then, everything is rosy, and the auto industry can keep operating indefinitely at the present high rate.

• **Question**—But which view is right? To find out, BUSINESS WEEK correspondents all over the country asked their neighborhood auto dealers what kind of used cars they were getting as trade-ins these days. If they were mostly 40's and 41's, it would show we were

still operating on pent-up demand. If they were mostly 46's, 47's, and 48's, the normal replacement theory would stand up.

And the answer they got was—both.

The higher-priced cars, such as Buick and Chrysler, are selling mostly on a normal replacement basis. But the lower-priced cars—Ford, Chevrolet, Plymouth, Studebaker—are still being sold mostly to replace prewar cars. That probably indicates that there's still some pent-up demand boosting sales at this level. But even here, many a 1940 trade-in simply represents a buyer who, for the first time, can afford to own a new car.

In other words, we are just now reaching the turnaround. The final proof on which side of the argument is correct is still to come—and the survey doesn't indicate clearly which it will be. The facts that are known can be interpreted either way.

The pessimists can point out that low-priced cars make up by far the largest share of total output, and that since these cars are still being sold primarily to fill pent-up demand, the bottom will probably fall out soon.

• **Paradox**—But the optimists can counter that we've already absorbed the fulfillment of much of the postwar demand without any lessening in buying. Indeed, the rise in buying this year may show that the market can get even bigger as the war-created demand slackens—and the people who bought postwar cars start to trade in on new models.

Actually, what finally happens will be determined less by what has occurred to date than by the general economic health of the country over the next six months or a year. If unemployment rises and consumer incomes fall, new-car sales will drop. If employment and income hold steady or continue their rise, car sales are likely to continue at the present level or at worst to fall no lower than 6-million a year.

There's a third, important segment of the present car market that tends to support this view. The dealers call it the "prosperity market." It's made up partly of buyers who have never owned new cars before—because they could never afford one until now—and partly of buyers who are buying second cars, also for the first time.

As long as incomes and employment—and consumer confidence—remain

high, this "third force" will continue to be felt in a new-car market. And as long as that's true, total sales have a very good chance of holding pretty close to their present pace.

Du Pont Unwraps "Fiber V"

In the synthetic textile field, you generally "deny" you're working on a new fiber—even if you are. That was the case with the British-born Terylene a year back (BW—Sep. 17 '49, p. 48). Imperial Chemical Industries first developed the fiber, a derivative of ethylene glycol and terephthalic acid; then du Pont started studying it, under wraps.

• **Unwrapped**—This week, du Pont took off the wraps, admitted officially that "fiber V" was getting a thorough workout. A small number of products, such as window curtains, blouses, sport shirts, sewing thread, and summer suitings, made of the new fiber are being tested for commercial possibilities. Working with du Pont, Witty Bros., men's clothier, recently brought out a summer suit made of fiber V for sale in its New York stores. Witty Bros. says that this suit is just as light and cool as suits made of Orlon and nylon, yet holds its press better than a fine tropical worsted.

In the industrial field, du Pont is also testing fire hoses and V-belts made of fiber V.

• **Yarn**—Du Pont makes fiber V yarn for these products at its nylon division plant in Seaford, Del. The yarn has high tensile strength, and high resistance to stretching—either wet or dry. The company says that fabrics made of fiber V have excellent resistance to wrinkling, launder easily, dry quickly, and can be heat set.

The fiber also has good electrical-insulation properties. It is not weakened by fungus, mold, or mildew.

Few Price Changes In Sears New Catalog

Prices in Sears, Roebuck & Co.'s big fall and winter 1950 catalog, out this week, on the average are unchanged from last year's catalog. In a sampling of prices in the new catalog, 42% of the items showed no price change from a year ago, 31% showed modest price increases, and 27% slight price reductions.

New items in this fall's wishbook include three major automatic appliances: dishwasher, electric clothes dryer, and gas range; a new line of electric sewing machines; a Geiger counter for uranium searchers.

New Tax Law Shaping Up

House bill balances revenue losses with revenue gains, comes out ahead for fiscal 1951—in spite of excise cuts and lower taxes for small business. Big corporations would pick up the tab.

Congress may grind out a tax law this year after all. So far, the House has taken the only action; the Senate hasn't started yet. But the bill that the House Ways & Means Committee tacked together is shrewdly designed to entice support from every group—except the big corporations.

So chances are better than even that the Senate will be able to work out some variation. The House bill meets Truman's minimum requirement—that any revenue lost through excise cuts be made up by raising corporate rates and plugging tax loopholes.

• **Money-Maker**—Actually, the House bill goes Truman one better. For fiscal 1951, it would bring in \$544-million more than it loses. After that, revenue losses and new money raised by the new tax schedule would about balance out. Here's a rough balance sheet:

Revenue losses. Most of the House provisions wouldn't take effect until it became law, around Sept. 1. So potential yearly losses wouldn't be fully realized until 1952. All told, the bill would shave revenue from existing sources by \$820-million in fiscal 1951. For fiscal 1952 and after, the annual loss would be \$1,345-million.

Revenue gains. In the first nine months of fiscal 1951, the House bill would raise an extra \$1,364-million. After that, and up to 1955, it would raise an extra \$2,133-million a year. From 1955 on, new money would drop to about \$1,333-million.

Excise cuts account for the bulk of the losses in the House tax schedule. They would trim revenues \$690-million in fiscal 1951 and \$1,010-million beginning in fiscal 1952. The Ways & Means Committee cut the most unpopular levies, and ignored those that the people back home didn't seem to care about. Retail excises—the ones the consumer knows best—would get the deepest slash.

Eliminating the "notch rate" and cutting the load on small corporate incomes would cut another \$115-million from the 1951 tax take, \$300-million after that. Some 190,000 corporations would benefit.

The notch rate is a special 53% surtax on the amount of corporate income exceeding \$25,000 but under \$50,000. The average tax rate on corporate incomes up to \$25,000 is around 23% under the present law. But the tax on incomes of \$50,000 and above is 38%. In order to bridge that gap or "notch"

between the 23% and 38% rates, the extra-high surtax rate is charged.

The new schedule of corporate tax rates would place a flat, normal tax of 21% on all profits and a 20% surtax on profits over \$25,000. The effect is to put an extra tax burden on companies making over \$167,000. Smaller companies would pay lower taxes than now.

Depletion allowances (special tax exemptions for the owners of certain exhaustible mineral deposits) would be extended under the House bill to producers of eight nonmetallic minerals that don't now qualify under the law. From this, the Treasury would lose about \$15-million in fiscal 1951; after that, it would lose \$35-million annually.

• **Dividend Withholding**—On the plus side of the ledger in the House bill, a new system of dividend withholding taxes for corporations is expected to uncover about \$1-billion in taxable income that is now escaping. All corporations would be required to withhold 10% of dividends paid out. This would give the Treasury a line on who was getting dividends. And that, it is estimated, would boost revenue by \$71-million in fiscal 1951 and by about

\$170-million during the following year.

Internal revenue experts also figure that excise cuts will actually swell the tax take, by stimulating sales and building profits—to be taxed. They judge that excise cuts will indirectly bring in \$20-million next year, and \$100-million after that.

• **Insurance Companies**—Under the new bill, life insurance companies would have to cough up \$166-million in back taxes during the coming fiscal year. Since 1940, insurance companies haven't paid any taxes on their investment income. The House bill hits them for a flat rate on income earned since 1947. And beginning with 1952, they would be liable for \$70-million annually.

Trusts and institutions now are not clearly liable for tax on income from purely business sources. The House bill would definitely end this exemption; it wouldn't mean revenue in 1951. But it is expected to net \$100-million in 1952.

• **Mills Plan**—The Mills Plan to speed up corporate tax payments would get a start next year. Today, corporations can pay up in equal, quarterly installments. But under the House bill, 60% of the tax would be due in the first half of fiscal 1951. In following years, the first-half liability would rise successively by 10%. The effect of this change in timing would be to boost receipts in fiscal 1951 by \$730-million—though corporations' liability would remain the same. From 1952 to 1955, the hike would be \$800-million a year.



Skid Gear For Happy 'Copter Landings

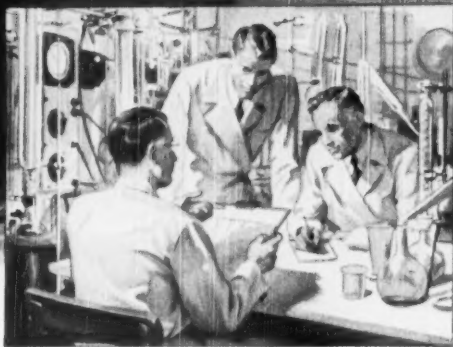
Skids instead of wheels get this new Bell helicopter off and onto a landing field. The trick gear is made of steel pipe, weighs less than half the standard wheel-type gear. The skids work on snow, ice, tundra, says

Bell, keep the craft from tipping when it lands on rough ground. The 47-D-1 can take a 200-hp. engine, carry a 20% heavier load than Bell's previous commercial models. And it costs less, Bell adds.



64 Sciences meet at **SINCLAIR**

Geophysical exploration for oil extends even into the water. Here geophysicists are doing preliminary work with a gravity meter in the Gulf of Mexico.



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"But we have a good stand of cotton, 108 acres. Our 150 acres of hybrid corn yields up to 75 bushels an acre, high for this section. We have 100 acres in small grains, 10 acres in tomatoes for an extra cash crop, and our Hereford herd will help. All of us—including our tenants and their families—will make out all right."

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Settle's efficient management of 616 acres is bringing better living to 13 families—his own, and his crop-sharing tenants. All the advantages of the new life on the land are being rapidly extended to his 12 tenants' homes, including electricity and running water.

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Jerry Settle's 3 tractors—a Diesel crawler and 2 rubber-tired—are part of more than \$35,000 in equipment that gives him time to enjoy life. President of Spartanburg Co. Beagle Club, he's also a local leader in hunting and conservation activities.



Mrs. Settle has a talent for making people have a good time. Her furnishings include fine china, silver, crystal, both modern and antique. Home also has a 10½ cu. ft. zero freezer, electric refrigerator, washer and range, plus modern bath and utilities.



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BUSINESS BRIEFS

Transcontinental flights may soon be offered by Eastern Air Lines. A CAB examiner has recommended that the board O. K. extension of Eastern service west from San Antonio to San Francisco.

Charles F. Kettering says he will have an auto engine with a 12-to-1 compression ratio next year. It will use 95 octane gasoline, he says, and will cut fuel bills 40%.

Four open hearths to be built this year at Chicago will boost Youngstown Sheet & Tube steel capacity by more than a half-million tons.

A federal grand jury has charged Servel and seven gas companies with illegal price-fixing of gas refrigerators. A couple of weeks ago, the government charged Servel with monopoly. The company denies everything, says it doesn't make "gas refrigerators" as such, actually just makes refrigerators, and therefore, is in competition with all other refrigerator makers.

Frederic C. Dumaine's plan to put Waltham back on its feet (BW-Jun. 24 '50, p. 24), is being considered by the federal court. Amendments to Dumaine's original plan got in just under the wire, but Bulova and the stockholders' group didn't file amendments. So Dumaine has the edge.

Sea-train service between Alaska and Tacoma, Wash., may be in the works, says National Bulk Carriers, Inc., big ship operators. Converted oil tankers would ferry 90 freight cars at a time to Whittier, Alaska, where they would be put on the government's Alaska R.R.

Rocket engine demand is so high, says Oldsmobile, that the GM division is going to quit making its six-cylinder engines and concentrate completely on Rocket 8s, beginning Oct. 1.

Brooklyn-Battery Tunnel people are surprised. In operation only a month, the big tube is already making more money than anyone had expected. Even allowing for curious motorists, revenue is coming in at the rate of \$4.5-million a year. Nobody expected more than \$3.7-million.

New southern plants: This week, Maycrick Mills starts a \$4-million cotton mill at Greenville, S. C., Ford starts a quarter-million dollar annex to its Louisville assembly plant; Baxter Paper Corp. opens a plant at Grover, S. C., to produce jacquard cards and textile supplies.

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REGIONAL REPORT

Income Rising ...

Almost everywhere. Every region but two shows rises—and those only fractional drops. Even farm prospects look better.

Income is following the business curve upward. Its rise in May was the sharpest in two years. As a result, the national composite of BUSINESS WEEK's Regional Income Indexes (which exclude GI insurance refunds) reached a level of 230.1% of the 1941 average, tying the all-time high reached in October, 1948. And with business still pointing higher in June, a new income record is certain.

The strongest income sectors are payrolls in construction and durable-goods manufacturing. But nondurables in most areas are much stronger than they have been, particularly textiles in New England and the South and shoes in New England and the St. Louis area.

• **Farm Improvement**—Farm income, too, is looking up. Prices received by farmers gained more than prices paid, for the first time in two years. Nebraska, with a good winter wheat crop, and Iowa, whose hogs are bringing high prices, are particularly strong spots. But there are many weak ones, too.

• **All Up But Two**—Regionally, all but two districts made gains in May. The New York region dropped one index point; the Philadelphia region declined fractionally. In each case, it was weakness in the central city, primarily, that caused the drop. Largest increases in May were chalked up by the San Francisco, St. Louis, and Chicago regions.

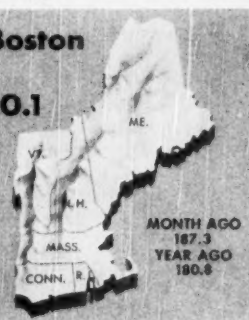
In May, for the first time since December, 1948, income was higher than the same month of the preceding year in every single region. Here's how they ranked when compared with last May (the national composite was up 4.9%):

Region	% Gain
11. Dallas	8.9%
6. Atlanta	6.7
7. Chicago	6.0
5. Richmond	5.7
1. Boston	5.1
12. San Francisco	4.9
4. Cleveland	4.5
2. New York	4.4
3. Philadelphia	3.7
10. Kansas City	3.4
8. St. Louis	2.6
9. Minneapolis	0.2

May figures preliminary; April revised

1. Boston

190.1



MONTH AGO 187.3
YEAR AGO 180.8

2. New York

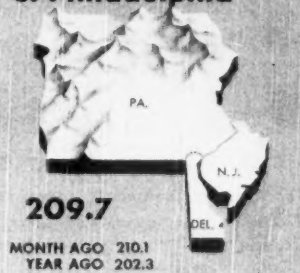
204.3



MONTH AGO 205.4
YEAR AGO 195.6

3. Philadelphia

209.7



MONTH AGO 210.1
YEAR AGO 202.3

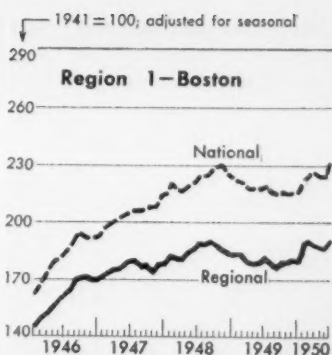
4. Cleveland

220.1

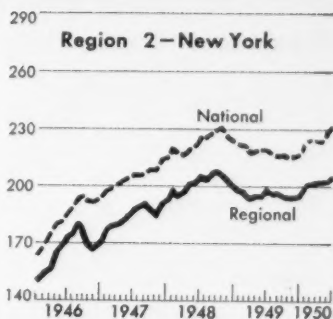


MONTH AGO 216.4
YEAR AGO 210.6

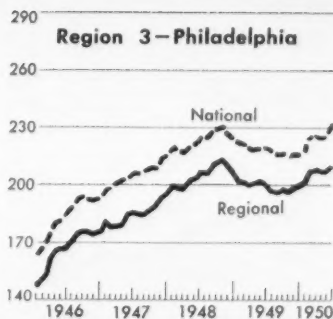
Income rose in May. The woolen industry is doing well, with orders booked into September. But the price squeeze still clouds the outlook. Shoe output is rising, with New England making a larger share than last year. The outlook for resort areas is favorable. New London, Conn., and Biddeford, Me., are off the distress-areas list. GE is consolidating plastics activity at Taunton, Mass.; new employment there will be at the expense of Pittsfield. Concord (N.H.) purchasing power will rise when a pay boost for all state employees, averaging 15%, goes into effect July 1. Firestone is spending \$2½ million on expansion at Fall River; will add 400 workers.



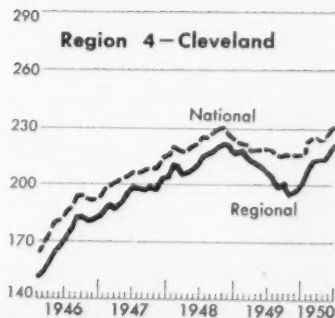
Income was lower in May. New York City was particularly affected, but payrolls there should pick up soon, as the garment industry comes out of its seasonal slump. Elsewhere, things are generally better. Unemployment is at a postwar low in Bayonne, East Orange, Plainfield, and Jersey City. Utica, one of the nation's distress areas, will get a boost when Chicago Pneumatic Tool Co. transfers operations of its Detroit plant there; 700 new workers will be needed. Ford will hire 1,000 in July for its new Lackawanna assembly plant. Auburn, hurt by closing of International Harvester's plant, got another blow: American Locomotive's 1,100-man plant will close for July.



Income dipped slightly in May. Philadelphia itself still lags behind the U.S. as a whole in employment; even construction employment is weak there. Wilmington employment is at an all-time high, with shortages in most skilled and semiskilled lines. And Trenton unemployment is at a postwar low. Scranton is working hard to pull out of its slump; its employment gain over a year ago is the best in the region. Bethlehem Steel is spending \$32 million on expansion and modernization near Johnstown. Scranton has reopened its Altoona plant; it's now employing 150. The seasonal rise in resort business has got Atlantic City off the distress-areas list.



Income rose again in May. And this feast-or-famine area should continue feasting. Pittsburgh business activity is above the wartime peak; machine tool new orders in May were the highest in four years; glass, tires, and auto accessories are all booming. Cambridge and Zanesville, Ohio, aren't sharing the upward employment trend. Frigidaire will need 1,000 workers at its \$12-million addition near Dayton. GM is adding 1,600 at Cincinnati, 700 at Columbus. E. W. Bliss is closing its Salem (Ohio) plant and moving to Canton, where it will hire 1,500. Fire has idled 500 at two Cooksville (Ohio) potteries. RCA will hire 700 at Canonsburg, Pa.



(Continued on page 34)

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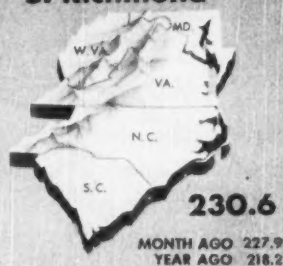
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Advanced Industrial Chemicals for Cleaning and Processing

May figures preliminary; April revised

5. Richmond



Income was up in May. The region's major industries are all doing well. Most cotton and rayon mills are working at capacity on a five-day week. Furniture plants are sold for three months and more ahead. Lumber is booming except in West Virginia, where it's used in dry for mine props. New South Carolina plants include: Maverick Mills, \$4-million, Greenville; Fairview Mills, \$2-million, Fountain Inn; Peerless Mills, \$2-million, Beiton; Singer Sewing Machine, multimillion-dollar assembly plant, Anderson. Bendix will add 1,000 workers at Baltimore. Garrett County, Md. has been added to the distress areas; Huntington, W. Va., has been removed.

6. Atlanta



Income continued upward in May. The region's major industries are all strong, particularly steel in Birmingham and textiles and work clothing, which are scattered. Louisiana crude oil allowances were raised slightly for June, but employment there continues weak. Florida is in its in-between season. The American Enka strike has hurt all business at Morristown, Tenn.; it has also postponed indefinitely Enka's \$8-million expansion. Clark Thread will add 1,500 workers at Toccoa, Ga. Ruberoid's new plant at Mobile has hired 200; Henderson Sugar plans a 300-man refinery there. International Paper's Natchez (Miss.) pulp mill will have a \$24-million annual payroll.

7. Chicago



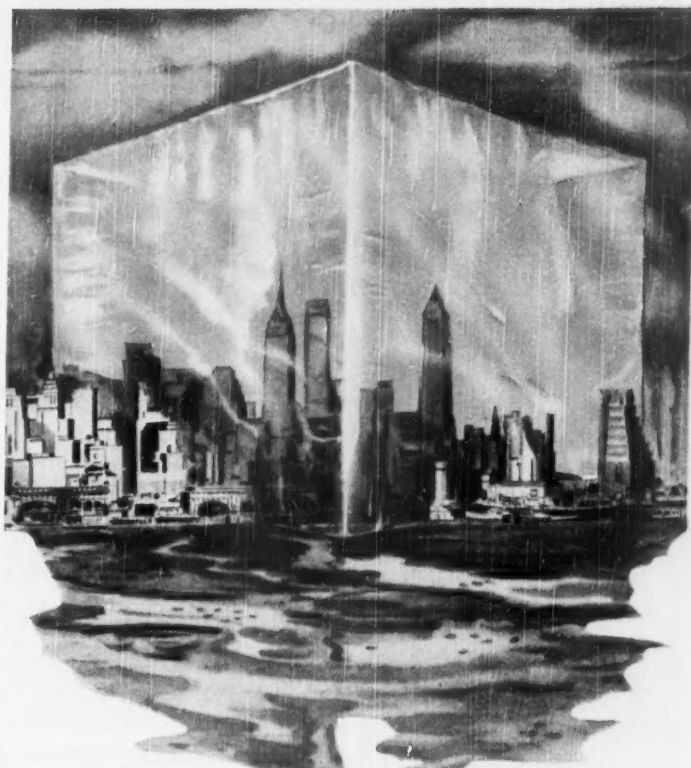
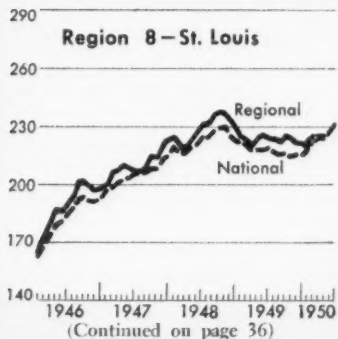
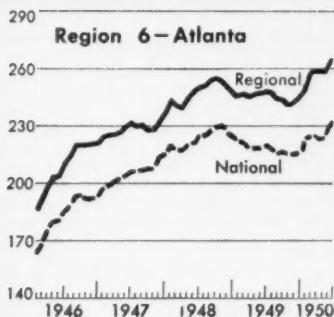
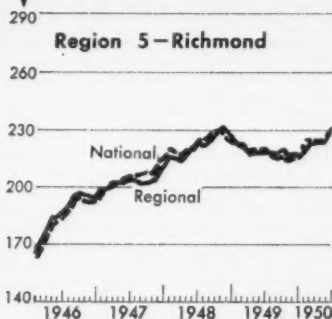
Income rose sharply in May, as expected; continued heavy-goods demand and record auto output will keep it rising. Department store sales in Detroit have been very strong ever since the Chrysler strike ended. Buying at the Grand Rapids and Chicago furniture shows wasn't spectacular. High hog prices spell good income for Iowa. The farm picture is brighter except for the Wisconsin dairy area. Two new plants at Grand Rapids: Doehler-Jarvis, \$12-million; American Box Board, \$1-million. Yale & Towne will move from Chicago to Berrien Springs, Mich., Sept. 1; will hire 500. A new building materials plant at West Branch, Iowa, will employ 100.

8. St. Louis



The income trend was strong in May. Weakest section is southern Indiana and Illinois; strongest are Memphis and St. Louis. All of International Shoe's plants are at capacity, and four of them (Hannibal and St. Charles, Mo., Paducah, Ky., and Quincy, Ill.) are on overtime. Memphis flooring makers are booked solid for three months or more. Southeast Missouri's cotton crop will be the worst in many years. Holley Carburetor will add 500 workers at Paris, Tenn. Superior Coach Co. is building a 400-man plant in Kosciusko, Miss. The F. P. Weissman garment plant at Harrodsburg, Ky., will hire 200. Kimberly-Clark plans a \$2-million expansion at Memphis.

1941 = 100; adjusted for seasonal



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May figures preliminary; April revised

9. Minneapolis

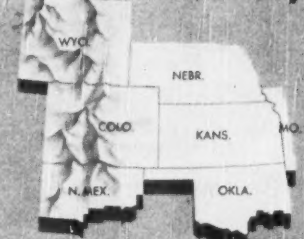


249.2

MONTH AGO 247.0
YEAR AGO 248.7

Income rose a little in May. This year's farm income will be down from last year's; livestock won't be up enough to offset the loss in crops caused by late planting. Nevertheless, the region's farmers are still prosperous. Per capita holdings of F. bonds in the Dakotas and Montana are almost double the national average. Trouble is, with the present slump in income, the farmers don't think prosperous. Nonfarm employment in Montana continues to set records; Anaconda still can't get enough workers. It's rising in Minnesota, too; Minneapolis-Moline is working three shifts, and Minneapolis-Honeywell is close to its wartime employment peak of 9,000.

10. Kansas City



264.7

MONTH AGO 262.8
YEAR AGO 255.9

Income was up slightly in May. Farm income prospects continue to improve in Nebraska. Greenbug damage was not nearly so bad as was feared, and the drought almost missed the state. So, despite the acreage cut, the winter wheat crop now being harvested should be nearly 50% bigger than last year's. The same is true of northern and eastern Kansas. Colorado's crop will be down a third; Oklahoma's, 50%. Coal mines are shutting down right and left around Gallup and Farmington, N. M. Colorado expects a record tourist season. Sylvania plans a \$1½ million plant at Shawnee, Okla. Leavenworth, Kan., is off the distress areas list.

11. Dallas



295.4

MONTH AGO 290.5
YEAR AGO 271.2

Income continued strong in May. Department store sales are the strongest in the country; Houston is an exception. Agricultural prospects are generally improving, except in the drought-ridden areas of New Mexico, western Texas, and the Panhandle. Most wheat has been harvested, and yields, particularly in North Central Texas, were better than expected. Texas' allowable oil output was upped again for July. A. O. Smith's \$5-million pipe mill at Houston will open Aug. 1 with 400 workers. Dow is spending \$30-million on expansion in Freeport. The Texas Co. strike is hurting Port Arthur and Beaumont. Kennecott has reopened its zinc mine at Santa Rita, N. M.

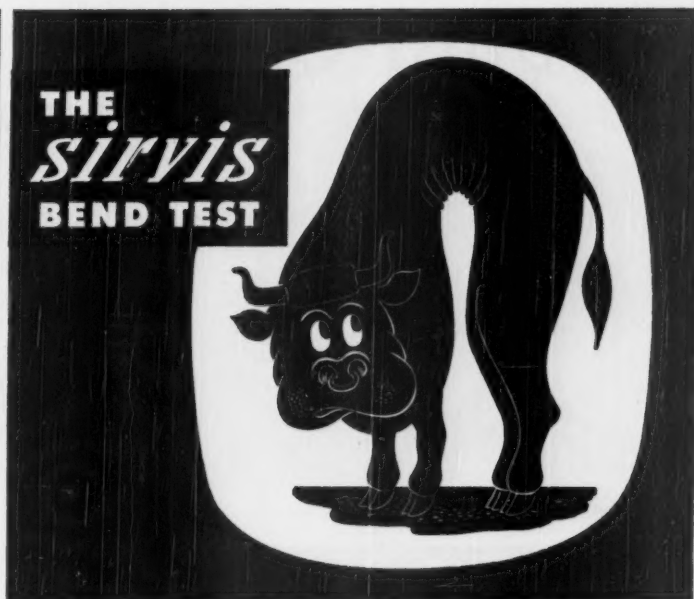
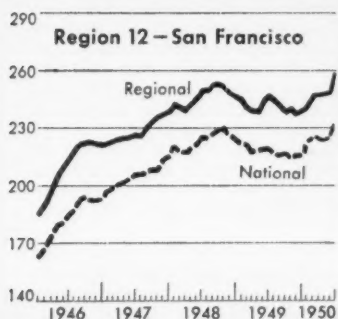
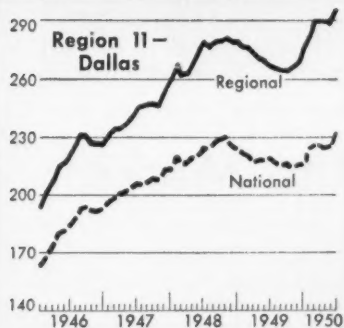
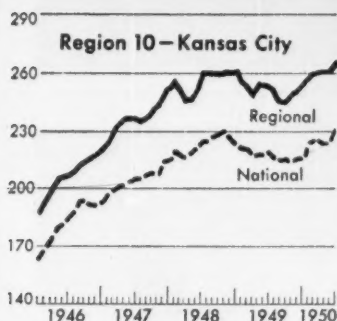
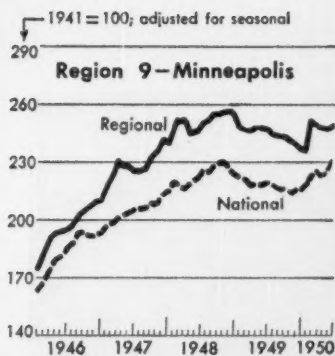
12. San Francisco



258.2

MONTH AGO 251.5
YEAR AGO 246.2

The May income rise was the strongest in the country. Factory employment in California is at a new peacetime peak; San Francisco is ahead of a year ago, for the first time in 2½ years. Most northwest lumber mills are on two shifts; high prices have brought marginal producers in northern California into full operation for the first time since the war. Frost damage to fruit was severe in Utah, particularly around Salt Lake City. Washington will pick as many apples as last year, but the price will be higher. Fiberboard Products is building a 700-man plant at Antioch, Calif. Southern California aircraft expansions: Lockheed, \$5-million; Hughes, \$2-million.



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<p>More motor vehicles, farm implements and industrial machines are equipped with "Perfect" Oil Seals than any other shaft-type sealing device.</p> <p>PERFECT Oil Seals</p>		<p>Sirvene molded products are all custom-engineered and custom-built for critical service in aircraft, automotive, and other mechanisms.</p> <p>SIRVENE</p> <p>COMPOUNDED SYNTHETIC RUBBER</p>

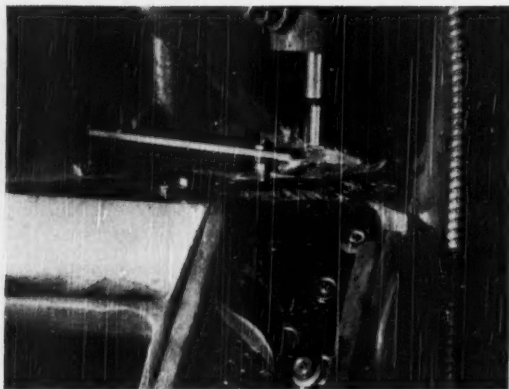
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PRODUCTION



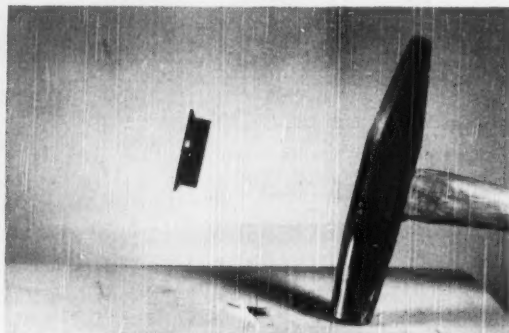
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Powder Metals Hammer at the Market

Detroit meeting shows the industry is picking up steam. New designs, efficient production help put new applications over.

There was a bullish feeling among metal powder men last week. It looked as though powder metallurgy may have finally reached the corner around which real commercial acceptance—and profits—lurk.

Powder metallurgy basically is this: Put metal powders in a die; compress them mechanically to shape; then heat the compact to develop bond between the particles to get strength. The process got a big play during the war. Since then, progress has been unimpressive, at least as far as commercial production goes.

• **Progress Report**—But the recent meeting of the Metal Powder Assn. that was held in Detroit made it plain that the industry is finally succeeding in getting somewhere.

In the first place, attendance was good; it included many potential customers. Technical papers pointed up progress in die design, press design, powder developments. Perhaps best of all, there was evidence of progress in cutting production costs.

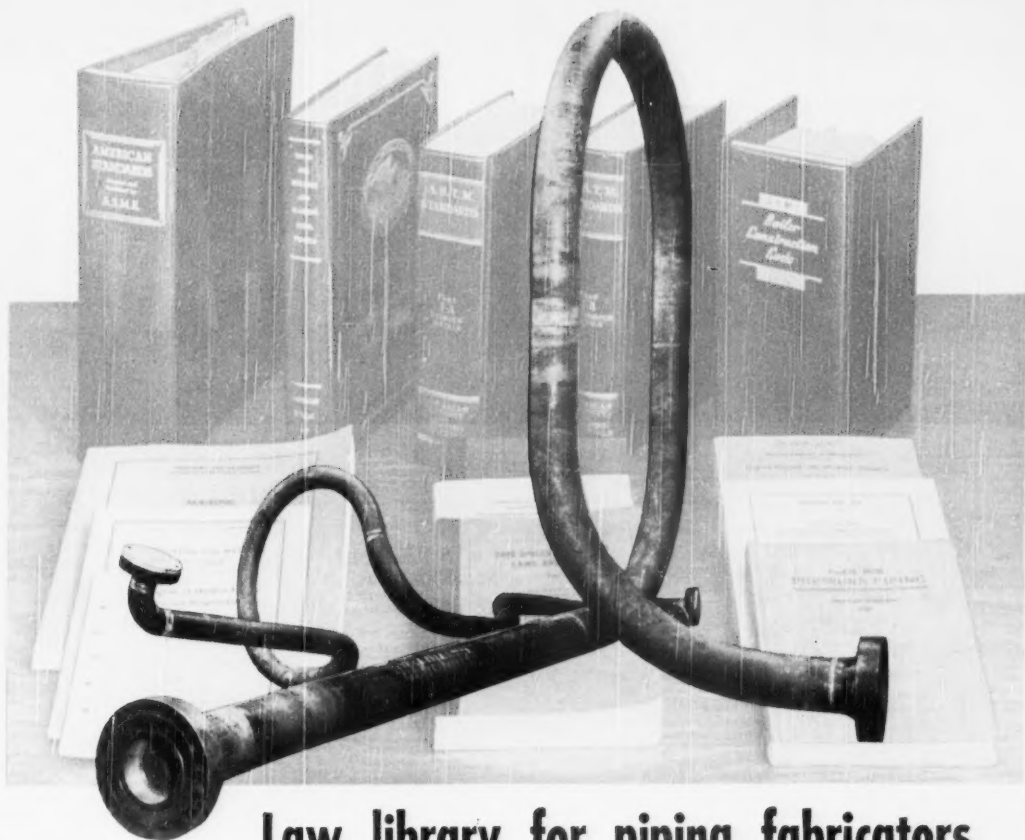
• **Developments**—In some lines, such as oilless bearings (BW—Jun. 7 '47, p. 82) and cemented carbide parts, metal powders have already proved themselves commercially. The Detroit exhibit showed a tremendous range of other applications. These included use of metal powders to make bearings, bearing plates, odd-shaped gears, clutches, ratchets, cams. It included special applications: copper combined with steel so that the copper would melt when the steel was shaped to produce a self-braz-

ing part; lead dispersed in copper to provide bearing properties; oil-impregnated pieces, in which the powder metal part, because of its porosity, acts as a permanent oil reservoir.

Combinations of powders were shown: copper combined with carbon for brushes—the copper provides conductivity, the carbon antifriction properties; silver combined with tungsten contact points—the silver produces conductivity, the tungsten resists heat and wear; and mixtures of copper, tin, iron, lead, graphite, and silica to produce heavy-duty friction surfaces.

• **Stainless Steel**—New technical developments that would lead to new uses got the big play. Take the case of stainless steel powders (BW—Mar. 12 '49, p. 42).

The main trouble with these is that they generally don't mold too easily, and they require high sintering temperatures and high-purity sintering atmos-



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The safety of employees, the welfare of the community and a major investment can depend on a single piece of prefabricated piping. That's what piping codes are for . . . state, national, association and insurance codes. Grinnell engineers know the "law" intimately, check and cross-check with these codes at every step from preparation of detailed drawings and specifications right through bending, welding, stress relieving, heat treating, final inspection, assembly and test runs.

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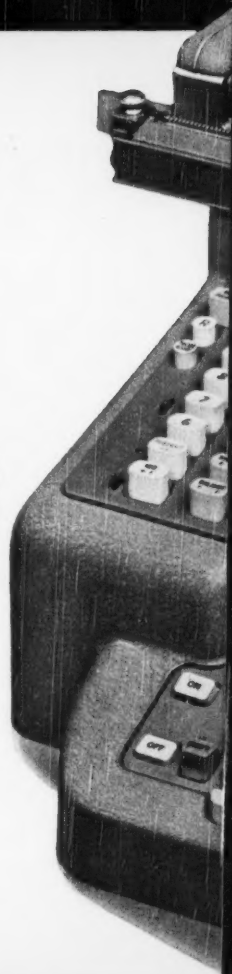
The 5 features listed below are but a few of the many outstanding advantages. They are examples to give you some idea of the new heights of achievement that have been reached in this newest National Accounting Machine.

But only by an actual demonstration, applied to your own work, can you realize how this machine of TOMORROW will improve *your* accounting methods TODAY—whatever your business or your accounting problems.

A FEW OF ITS MANY OUTSTANDING ADVANTAGES

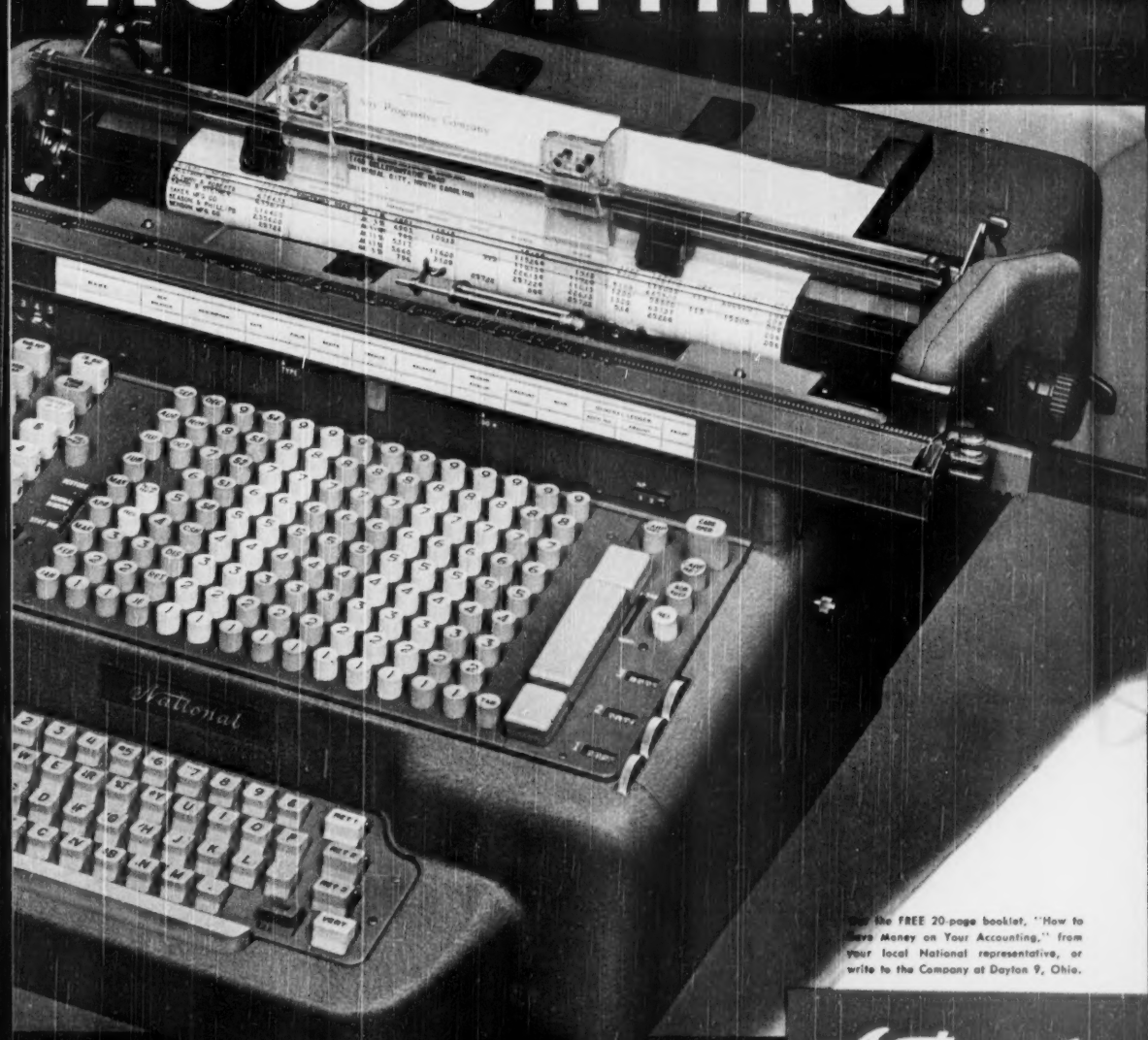
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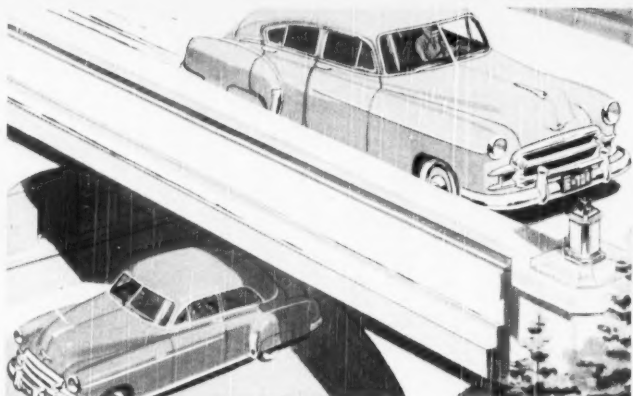
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Choose a Chevrolet with Powerglide Automatic Transmission, teamed with 105-h.p. Valve-in-Head Engine—most *powerful* in Chevrolet's price range—and you'll enjoy the highest degree of smooth, effortless *no-shift* driving at low cost.* Or, on the other hand, you may have the highest degree of *standard* driving-ease at low cost by choosing a Chevrolet with highly-improved, more powerful standard Valve-in-Head engine teamed with Silent Synchro-Mesh Transmission.

*Combination of Powerglide Automatic Transmission and 105-h.p. Engine optional on De Luxe models at extra cost.

AMERICA'S BEST SELLER . . . AMERICA'S BEST BUY

CHEVROLET MOTOR DIVISION, General Motors Corporation, DETROIT 2, MICHIGAN

pheres. American Electro Metal Corp. has two new types of stainless steel powders that can be sintered at lower temperatures, have good moldability, and don't require high-purity atmospheres. One is a mix of 14% chromium, 86% iron; the other is iron plus 17% to 18% chromium and 8% to 9% nickel. "Green" strength (strength before sintering) is said to be three to 10 times higher than the strength of other commercial powders of similar composition.

Another advantage is that these powder parts can be infiltrated with silver or copper for special applications (BW—May 25 '46, p 50).

• **Coatings**—Metal powder men have always liked the idea of coating powders such as iron with softer metals. The coatings—they might be copper, tin, or nickel—make it easier to mold the powders to shape, add green strength. At the meeting, Metals Refining Co. technicians described a new method of obtaining such coatings, based on thermochemistry. They found that brittle iron powders coated this way could be pressed at normal pressures; a followup sintering at about 2,000 F yields strong parts.

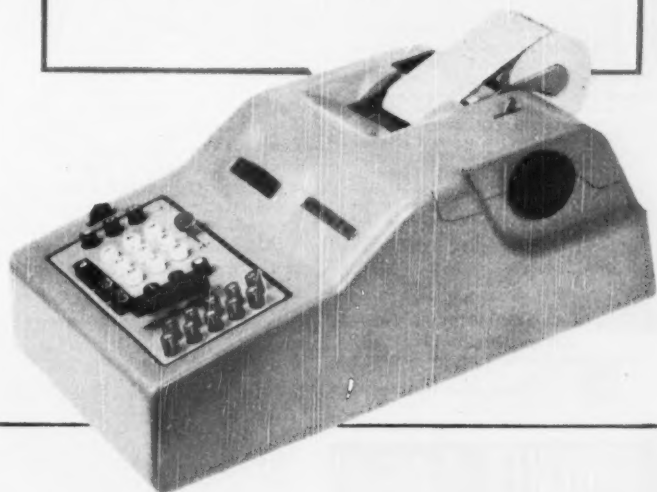
• **Clutches, Cores**—S. K. Wellman Co., Cleveland, advocated clutches of powder metals. Such a clutch, says Wellman, costs more than conventional types, but it outperforms them. That's because it absorbs heat better. The result is that you can use greater pressures and speeds—or a smaller, more compact design.

Metal powder is a natural for electrical and electronic equipment—cores, say. Cores can be made by compacting in presses or by extrusion. The result, says Standard Coil Products Co., Chicago, is that high-frequency losses are reduced. And the designer has a chance to get the shape he wants. Right now, hydrogen-reduced iron powder is in favor for low-frequency cores. But magnetite powder, ferrites, and flake powders are also being used at the present time.

• **Costs**—On the big bugaboo, production costs, Trico Products Corp., Buffalo, has made definite progress. Trico Products Corp. has solved the problem with better plant layout, improved engineering of parts, better die design, and more efficient handling of work in process.

To meet the cost competition that this kind of efficiency makes, contract producers have had to look to their medals. A. J. Langhammer, of Detroit's Amplex Mfg. Co., took contractors to task for not knowing what was going on in their plants costwise. Langhammer, who made the metal powder process pay off for oilless bearings, presented detailed methods for efficient cost accounting.

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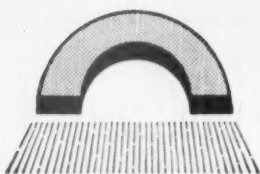
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Fast Cooling

Carrier Corp. designs an air-conditioning system for Kaufmann Stores that uses small ducts, doesn't cut into selling.

If you want to hear an engineer moan, give him the problem of air conditioning a department store interior—without eating up any selling space, or going in for extensive alterations.

But when Kaufmann Department Stores of Pittsburgh put that problem up to the engineers, it got what it wanted—a central air-conditioning unit that serves the store's 12 floors. The unit cost \$12-million, but the store didn't have to give up any selling space, made no extensive alterations. Carrier Corp. engineered the system.

• **Space Saver**—Carrier's problem was to avoid large space-consuming air ducts, and still get the same cooling effects.

Its answer was to use small ducts, and run cool air through the four-mile sys-

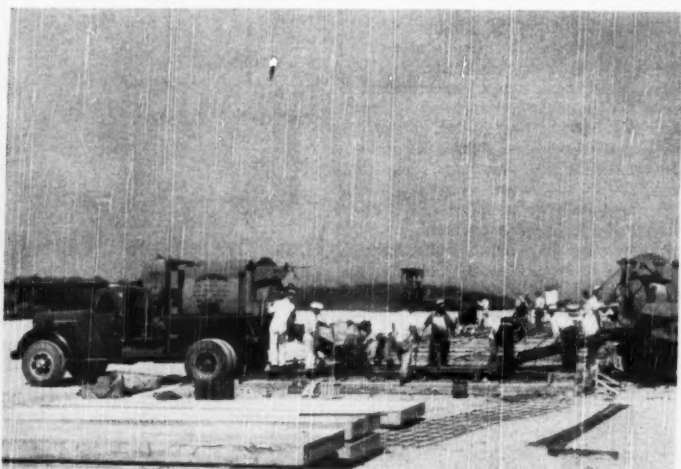
tem at a faster rate—30 miles an hour. The engineers also figured on making the air extra chilly. The result: the same cooling effect as with standard-size equipment—and none of the lights or sprinkler heads had to be moved.

But high speed cooling brought up another problem. High pressure air coming out of the system's 3,500 outlets would be noisy, and the lower temperatures would mean icy blasts blowing down the customers' necks.

• **Diffusers**—W. B. Connor Engineering Corp., New York, N. Y., solved that problem with special diffusers for each outlet. The diffusers thoroughly mix the cool air with warm air from the store's interior.

They each handle from 10 to 180 cu. ft. of air a minute, disperse it over 150 sq.ft. They can be regulated individually to compensate for variations in traffic or load conditions. Fiberglass insulation deadens the noise.

The vertical ducts for Kaufmann's air-conditioning system are housed in two unused elevator shafts. The refrigeration unit is in a specially built penthouse. This makes maintenance easy.



PRECAST CONCRETE walls, foundation beams are latest wrinkle in prefabricating game.

Cost-Cutter: Prefab Concrete Walls, Beams

Wigton-Abbott Corp., a general contractor in Plainfield, N. J., has come up with a prefab wrinkle that it believes will pay off handsomely. The company has developed a process for precasting concrete walls and foundation beams, says it will cut costs 10% and shorten construction time.

The idea is getting its first tryout on Continental Can Co.'s new 17-acre plant near Pittsburgh. Forms for the walls and foundation beams are poured at the construction site on a flat, treated concrete surface. Removable edges on

the forms are adjusted to the desired dimensions. Steel hooks placed in the concrete casting speed operations when the forms are raised into place.

There was one big bug in the casting operation. A bond formed between the mold and the form after it was poured, made it difficult to separate the mold from the concrete. To prevent the bond, Wigton-Abbott tried a raft of materials, ranging from building paper to stainless-steel sheets. Strips of black iron coated with a mixture of machine and diesel oil finally turned the trick.

PRODUCTION BRIEFS

Lockheed's new \$5-million plant is going up in reverse: Heavy stamp and stretch presses are being installed first; the plant will be built around them.

Prefab cat-cracking units are designed by Socony-Vacuum Oil Co., Inc., and Southwestern Engineering Co., for small-sized petroleum refiners. Two of the packaged units turn out 3,000 bbl. and 6,000 bbl. per day.

National Steel's plans for increased capacity will cost \$25-million. A new 40,000-ton blast furnace will help boost annual capacity to 5-million ingot tons.

Pictures of sound waves are made in mid-air by a Bell Telephone Laboratories technique. The waves are turned into light patterns by the scanning beam of a neon bulb.

Duke Power Co. has increased its post-war expenditures to \$125-million by another \$12-million expansion. This boosts Duke's capacity to 100,000 kw.

Avco Mfg. Corp.'s Crosley Division has signed a 10-year agreement with Bland & Millen, Ltd., Ontario, to produce Crosley's radio and video sets.

High-frequency radio waves sterilize 50,000 feed bags daily in a General Electric-built dielectric oven at Eastern States Farmers Exchange, Inc., Buffalo.

Supersonics work a burglar alarm developed by Denver Burglar Co. The alarm goes off when an intruder disturbs a room filled with high-frequency sound waves.

Norton Co., Worcester 6, Mass., has set up a school for grinding. Company and customer personnel learn their ABC's in abrasives by practical applications.

Standard Oil Co. of Calif. puts a pinch of radioactive tracer into oil products shipped by pipe lines. A Geiger counter tells the location of the product.

Upjohn Co. says it has the first industrial installation of an atom smasher (electronic accelerator). The unit is used in cancer research.

The Navy's titanium alloy research is described in Commerce Dept. Report PB 100-000, published by the Office of Technical Services, Washington 25, D. C.



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For example, Signode operates the only railroad test-track used exclusively for perfecting methods of bracing freight car shipments. Signode is first to make available to industry fully automatic power machines for applying steel strapping on production lines. Signode maintains a staff of trained engineers solely for the benefit of customers, for development work in the field.

Probably most important, however, is the fact that Signode has but one business, one aim—to bring to every shipper, large or small, the cost-cutting, profit-building advantages inherent in steel strapping.

Let's get together and talk it over.

SIGNODE STEEL STRAPPING CO.

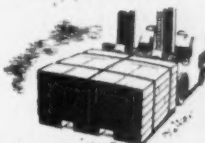
2610 N. Western Ave., Chicago 47, Ill.



Offices in all principal cities in the U.S.A.
In Canada: Canadian Steel Strapping Co., Ltd.
Subsidiaries and distributors in most foreign countries.



Secure pilfer-proof packaging for all kinds of containers.



Simplified handling for small units that lend themselves to palletizing.



Safe transit for heavy, yet easily damaged products like electrodes, porcelain, brick.



Sure bracing for such hard-to-hold loads as machinery, steel, paper rolls.



for example..

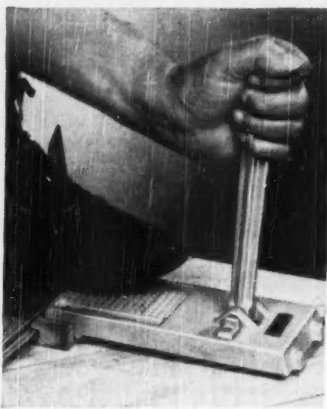
Westinghouse Air Brake Company can't hold production while they wait for die cast parts. Neither can you. Delays just don't happen to Alcoa customers if the best in personnel and facilities can prevent them.

Apply this Alcoa dependability to your own operation. Quotations? They'll be on your desk the day we promise 'em. Design help? Alcoa recommendations are based on 35 years in the die casting business. Deliveries—quality? We've built our reputation on both.

There's an Alcoa specialist near you... ready to give you a prompt quotation. Look under "aluminum" in your classified phone book. Or write ALUMINUM COMPANY OF AMERICA, 1908G Gulf Bldg., Pittsburgh 19, Pa.



NEW PRODUCTS



140-LB. SQUEEZE

Boards for floors, sidings, and roofs that have tongue-and-groove edges call for tight, even carpenter work. R. M. Products, Box 171, Rochester, Mich., makes a tool that holds boards tight together for nailing.

One end of the tool, called Flor-Tite, fits against the board to be laid. The base of the other end grips the rough flooring beneath. A 10-lb. pull on the tool's handle, puts a 140-lb. squeeze on the floor board, jamming it right against the next one.

An insert to grip the board fits on one end of the tool. The tool is designed so that carpenters can easily make their own inserts to fit special jobs such as bracing joists, decking, and block-type floors.

MIRROR-FOG CUTTER

Charles Parker Co., Meriden, Conn., has worked out a way to keep mist off the bathroom mirror. Parker mounts a rubber heat pad on the back of the mirror. This warms the glass to about 98 degrees—hot enough to keep bathroom steam from condensing on the surface.

The heat pad is made up of a layer of U.S. Rubber Co.'s electrically conductive rubber, sandwiched between two layers of electrical-insulating rubber. The heater operates on 110 v. and draws about the same current as a 60-watt bulb.

So far, Parker has mounted the heater in only its top-quality mirror cabinets. But Parker plans eventually to put it in all its cabinets that have built-in lighting fixtures.

It is also experimenting with a specially designed, large, heated mirror to be used in public washrooms, golf clubs, and hotels.

BRIEFS

Neoprene rubber covers an aluminum electrical conductor made by Kaiser Aluminum & Chemical Sales, Inc., Oakland 12, Calif. It comes in solid and stranded sizes.

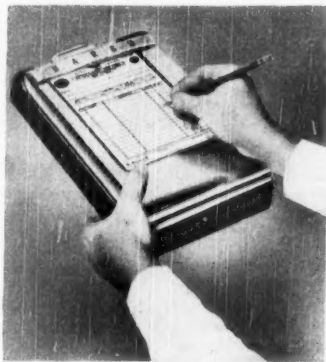
Corrosion-resistant wax made by S. C. Johnson & Son, Inc., Racine, Wis., coats ferrous or nonferrous metals. It's applied by dip, brush, wipe, or spray methods.

A rabbit repellent—in spray or powder form—keeps bunnies away from plants, shrubs, or young trees. It's a product of B. F. Goodrich Chemical Co., Cleveland.

Special lathes used to work on steel-mill rollers are controlled by template-tracing units. They're designed for use on roll diameters of 15 in. and 20 in. The maker: Monarch Machine Tool Co., Sidney, Ohio.

A selenium rectifier is especially designed for electroplating by General Electric Co.'s Lighting & Rectifier Division. The unit is oil-immersed to withstand corrosive plating-room atmospheres.

An eye-wash fountain protects workmen from contamination of chemicals. The unit sends a double stream of water into the eyes at the turn of a control valve. It's made by Haws Drinking Faucet Co., Berkeley 10, Calif.



This portable invoice register (BW-Jun.17 '50,p54) that includes a built-in tray for filing sales slips, is made by Varco, Inc., 141 W. Jackson Blvd., Chicago 4. It handles standard-size forms.

CASHIER SENTENCED FOR \$7500 THEFT

... who embezzled \$7500 from the bank at which he worked as a...

STOCK CLERK CONFESSES SECRET SALES OF WAREHOUSE MERCHANDISE

Police last night trapped a clerk into selling them merchandise he had...

FOREMAN CONFESSES THEFT OF MATERIALS

... construction foreman for the ... Construction Company, today confessed...

PLANT GUARD LEADS GANG IN \$15,000 MATERIALS THEFT

Working hand in glove with a gang...

CLERK CHARGED WITH AIDING IN SHOPLIFTING RACKET

A \$5,000 shoplifting racket was broken yesterday, and six people jailed, as the result of a clever ruse...

TIMEKEEPER ADMITS FRAUDULENT ENTRIES

Falsifying time records of employees netted ...

HEAD CLERK ADMITS PILFERING CASH FOR 12 YEARS

Officials of ... Department Store today estimated the...

WATCHMAN LET GANG IN, POLICE CHARGE

... watchman at the ... "company" was charged...



This Man protects you against **Employee Dishonesty Losses**

HE can't stop dishonesty among your employees ... but he *can* stop losses to your company from employee dishonesty ... with a Blanket Bond!

Careful studies of thousands of embezzlers prove that it is *impossible* to judge the trustworthiness of employees, for the average embezzler is *not the criminal type!*

By bonding everyone in your organization, **THIS MAN**—your U.S.F.&G. Agent—eliminates the hazard of guesswork as to which employee may be tempted. Call him today, and get the details on how a

Blanket Bond protects your company from *any* losses because of *any* fraudulent act by *any* employee!

The results of a thirty-month inquiry into the characteristics of 1001 embezzlers are contained in "Embezzlers, Postwar," a new book which your U.S.F.&G. Agent will be glad to give you without obligation.

For claim service in emergency, call Western Union by number and ask for Operator 25, who has the name and address of your nearest U.S.F.&G. Agent.



United States Fidelity & Guaranty Company, Baltimore 3, Md.

Fidelity & Guaranty Insurance Corporation, Baltimore 3, Md.

Fidelity Insurance Company of Canada, Toronto

CONSULT YOUR INSURANCE AGENT OR BROKER
AS YOU WOULD YOUR DOCTOR OR LAWYER

MARKETING



ADVISORY COMMITTEE—from left to right, Paul Stewart of Stewart, Dougall & Associates, Max Geller of Weiss & Geller, George Hanby of Nedicks, and Walter P. Margulies and J. Gordon Lippincott of Lippincott & Margulies—have seen to it that . . .

Nedicks Gets a Face-Lifting

Time and competition changed the outlook for a pioneer in the quick-snack business. Under new leadership, it is once more expanding and moving into new fields.

Almost every easterner can remember wolfing down a hot dog and an orange drink at one of those orange, green, and white Nedicks lunch counters. Nedicks, a pioneer in the stand-up snack business, set up its first sidewalk counters back in 1913. By the late 20's, the chain had more than 200 stores in a score of East Coast cities. You could hardly miss them.

• **Changes**—But time and circumstance altered this famous standby. First there was the depression, which put Nedicks through the wringer in 1934. Then came a raft of competitors in the stand-up lunch business. By the late 30's, the many little multicolored counters had begun to give way to fewer Nedicks stores with bigger menus and more space.

Now Nedicks is going through still another stage. Under new leadership, the chain is once more expanding its outlets and lengthening its menus. And it is moving in still another direction by getting into the home market for fruit drinks in cans.

• **Hanby**—The man chiefly responsible for these changes is George D. Hanby, who became president of Nedicks, Inc., in the fall of 1948 to replace Abraham M. Rosenthal, the present board chairman. Rosenthal, now 67, came to Nedicks when the investment house of

Wertheim & Co. bought a large piece of the business in the 1934 reorganization. Today, both Hanby and Rosenthal have stock in the tightly held company. The other owners: the Wertheims and nine senior Nedicks executives.

Hanby came to Nedicks after 20 years with Walgreen's, where he had worked his way up from counterman to chief of food operations. At 42, he is aggressive and hard-working, knows almost all his employees by name, thanks to his endless tours of the stores. This is in step with the pace he set at Walgreen's—except that in those days he used to get from one far-flung drugstore to the other by piloting his own private plane.

• **Impetus**—In a sense, the groundwork for Hanby's policies had been laid in the pre-Hanby period. The lopping off of small stores in favor of large ones—a policy Hanby has continued—had been going on for years. (The tally is now down to about 90.) Also, the company had already made its gesture towards the home market just after the war when it introduced a 5¢ carbonated orange drink in bottles.

Hanby added new impetus to these trends. When he came into office, a lot of things started happening—including the dropping of the apostrophe

from the Nedicks logotype. ("Nedicks" is a telescoped version of the names of its two founders, Robert T. Neely and Orville A. Dickinson.)

One of the first things that Hanby did was to reshape the personnel policies of the company. He found that the turnover of a single job at Nedicks averaged no less than 30% a month. So he called in the Chicago personnel consultant firm of Robert N. McMurray & Co. Together they worked out a new personnel program. They installed job training courses, built up morale and teamwork. Hanby claims that service in the stores has improved greatly, that the job turnover is now down to about 9% per month.

• **Advisory Council**—Hanby also called in other outside consultants—industrial designers Lippincott & Margulies and marketing researchers Stewart, Dougall & Associates—to help him reshape the marketing side of the business. Out of their joint conferences came last fall the permanent Advisory Management Committee (picture). This is a kind of top steering group on merchandising, which comprises Hanby, the heads of two of the consulting firms, and the president of Nedicks' advertising agency, Weiss & Geller. These men are on a retainer and meet regularly once a month. Another consulting group, consisting of all department heads, also meets monthly.

These changes have not, however, meant any wholesale upheaval at the management level. Hanby says that he has brought in only two outsiders to man top-management posts; he puts a heavy stress on promoting from within the company.

• **Canned Drinks**—More far-reaching is the streamlining job that Hanby has done on the sales side of the Nedicks' operations.

One of Hanby's first decisions concerned the newly introduced 5¢ bottled beverage. He looked the field over, came to the conclusion that the nickel soda-pop business didn't have much future, mainly because of the way profit margins were being squeezed by rising costs. As a result, Nedicks has not tried to push the sale of its carbonated drink outside the New York City area where it was already established.

Instead, Hanby decided to move into the noncarbonated fruit drink market, which is now burgeoning madly. What Nedicks did was to take its fountain drink—orange and lemon juice plus sugar—pasteurize it and put it up in cans. It now comes both concentrated and ready mixed in several sizes of cans up to 1-gal. containers for coin-vending machines.

• **Low-Income Market**—The canned drinks hit retail stores in March; by this week, the marketing area extended from Maine to Virginia, and westward

as far as Ohio. At the moment, one Nedicks canning plant in New York City is handling the entire output, but Nedicks plans eventually to set up about a dozen plants across the country. Next one will probably be in California.

Nedicks' advertising slogan for the drink—"breakfast to bedtime"—is a clue to Hanby's marketing theory about his new product. Retailing at 19¢ to 21¢ for a 6-oz. can, it will, he figures, tap a vast lower-income market now untouched by the more expensive frozen orange juice concentrates, which sell for about 29¢. In short, Hanby says that he is trying to apply Nedicks' familiar "quality at a low price" philosophy to its new product.

The new canned drinks are handled by the so-called "franchise" division of Nedicks. Just how much business this branch now does, the company will not say, since it keeps statistics very much to itself. But Hanby does say that, by the end of Nedicks' five-year expansion program, he expects the franchise division to "surge ahead" of the Nedicks stores in dollar-volume of sales.

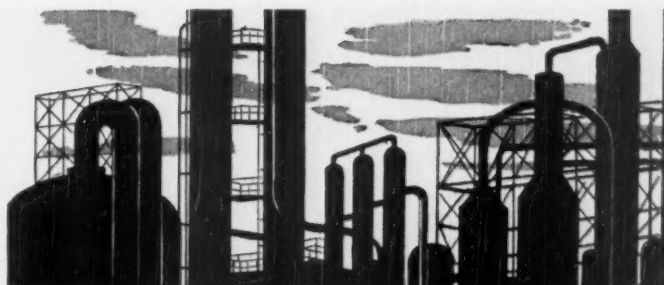
• **Sweeping Job**—Hanby first retained Lippincott & Margulies—designers of the Tucker car and R. H. Macy's packaging, among other things—just to design the packaging of the new canned drink. Out of that tie-up came a program much broader in scope. It ended with L&M going through the entire Nedicks merchandising operation. L&M redesigned Nedicks' paper cups, counter dispensers, window streamers, cardboard boxes and paper bags for take-out orders, delivery trucks, logotype, neon signs.

At the same time, Nedicks has been working another tack in its stores. Nine months ago, it began putting in baking equipment for pies, macaroons, cookies, and a product it calls "Raisdonuts." Thus it is now playing for the take-home as well as the quick-snack trade.

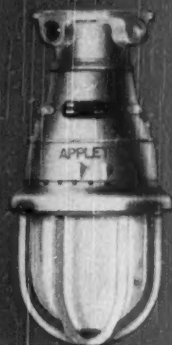
• **Expansion**—Under its five-year plan, Nedicks is also expanding store operations. Currently, it is in about a half-dozen major East Coast markets, hopes to go farther afield soon. Hanby's expansion schedule calls for a 10% increase in stores each year. Three new stores, for example, have been opened within the past few months; several more are slated to open soon. At the same time, the process of weeding out inefficient smaller units will continue.

In expanding its stores, Nedicks leases only; it does not buy store property. It gave that up after 1934, when—like other store chains—it found itself with too much real estate bought at inflated prices.

Hanby says that the new policies have paid off. In two years' time, the number of eat-and-run patrons at Nedicks counters has increased from 25-million to 63-million annually.



Two Famous APPLETON "FIRSTS"



Type EVX—Vented
Explosion-Proof Fixture
Pat. Applied For



Type EFU—Fluorescent
Explosion-Proof Fixture
Pat. No. 2,392,202

These two specialized lighting fixtures were developed by Appleton engineers to provide safer, more efficient light for oil refineries, chemical plants, hospital surgeries—all locations where explosive or ignitable vapors, dusts or gases are present.

With the Type EFU Fluorescent Fixture, Appleton introduced the advantages of fluorescent lighting to the hazardous locations of industry. This fixture is easily installed, conveniently serviced. It may be hung horizontally or at an angle of forty-five degrees.

The Type EVX is the first and only Vented Explosion-Proof Lighting Fixture. Featuring porous metal cylinders, this fixture weighs thirty percent less than fixtures of similar performance rating, yet diffuses ten percent more light while operating at substantially reduced temperatures.

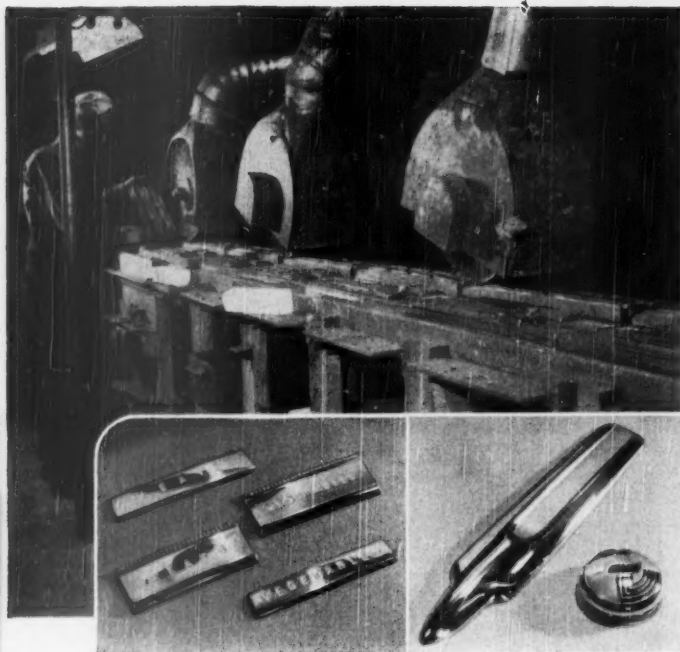
Whatever your illumination or electrical fitting requirements, specify Appleton—pace-setting manufacturer of electrical equipment for nearly half a century.

Sold Through Electrical Wholesalers

APPLETON ELECTRIC COMPANY
1750 Wellington Avenue • Chicago 13, Illinois
Branch Offices and Resident Representatives in All Principal Markets



APPLETON
CONDUIT FITTINGS • LIGHTING EQUIPMENT • OUTLET AND
SWITCH BOXES • EXPLOSION-PROOF FITTINGS • REELITES



Applies sales appeal to stainless steel ... *Automatically*

RICH, lustrous finishes . . . the silent salesmen that highlight customer preference for your products . . . are now produced automatically, using Osborn Power Brushes.

Shown above are typical cut and color operations at the plant of a leading producer of polished and plated parts for the automotive and appliance industries. Trim parts formed from stainless steel are fed on an endless belt under rotating heads equipped with Osborn Buff-brushes* using abrasive compound. High finishes on these parts are mass produced with a minimum of handling . . . at a minimum of cost.

When you polish stainless steel, cold rolled steel or other metal parts, an **OBA** (Osborn Brushing Analysis) may show you how to improve the quality of your work, in-

*Trademark

crease your production and minimize rejects with power brushing. The services of the **Osborn Brushing Analyst** for all finishing and cleaning problems are backed by Osborn's extensive technical facilities and are yours for the asking. Simply write *The Osborn Manufacturing Company, Dept. 301, 5401 Hamilton Ave., Cleveland 14, Ohio.*

**CAN YOU IMPROVE YOUR FINISHES
AND CUT COSTS BY BRUSHING?**



LOOK FOR THE NAME

RECOGNIZED EVERYWHERE FOR
PROGRESS IN FINISHING METHODS



OLD oleo package has been changed by repeal of the antimargarine law to . . .



NEW package with product lettering on the carton as big as brand name.

Oleo Freedom

Repeal of federal anti-margarine law gets rid of federal taxes and license fees. But state regulations remain.

Margarine makers will celebrate their independence day on July 1 this year. That's when the federal antimargarine law becomes null and void, and when the repeal law, which President Truman signed last March, goes into effect. The repeal law:

- Kills the 4¢-a-lb. federal tax on uncolored margarine;
- Removes the 10¢-a-lb. federal tax on colored margarine;
- Repeals federal licensing regulations. These have required retailers to pay \$6 yearly to handle white margarine and \$48 to handle colored. Wholesalers no longer have to pay \$200 and \$480 to handle white and colored margarine. And manufacturers are freed of the \$600 license for making the products.

With their new-found freedom, margarine makers are hoping 1950 will be their first 1-billion-lb. year. Up to now, the production record has been 908-



Steel makes summer last all winter

Of course nobody picks peaches in the dead of winter! But manufacturers of home freezers *do* make it possible for the public to enjoy pick-of-the-orchard fruits and garden-fresh vegetables 365 days a year.

To make freezer cabinets and other products look better and last longer, many manufacturers rely on the extra quality of Armco ZINCGRIP-PAINTGRIP and Armco Cold-Rolled PAINTGRIP Steels. These special-purpose steels add to the life and beauty of many products, and make them easier to sell in highly competitive markets.

For fifty years Armco Research Technicians have worked to perfect special steels for special

uses in thousands of consumer and industrial products—from home washing machines to stainless steel equipment used in the textile industry.

Two of their latest achievements are Armco ELC (Extra Low Carbon) Stainless Steel, and Armco PH (Precipitation Hardening) Stainless Steel.

The metal products you make or use can be no more serviceable than the materials from which they are made. That's why so many manufacturers prefer Armco Special-Purpose Steels, and why the public looks for the famous Armco trademark when buying. Here is *quality* insurance that you, too, will surely want to carry.



ARMCO STEEL CORPORATION

HEADQUARTERS AT MIDDLETOWN, OHIO, WITH PLANTS AND SALES OFFICES FROM COAST TO COAST • THE ARMCO INTERNATIONAL CORPORATION, WORLD-WIDE





Jeffery Scaife's "hands" performed their tasks by the strength of their muscles alone.

Scaife workmen today employ an average of 8 electrical horsepower per man.

Why YOU should be interested in

SCAIFE'S 148-YEAR HERITAGE

To the buyer and user of pressure vessels, the fact that the Scaife Company is 148 years old is significant for two reasons: first, it shows a quality of product that has served users well through the years; second, it demonstrates the ability of the SCAIFE COMPANY constantly to advance with the changing times.

Today, carefully planned programs of scientific research and application engineering are in operation. These programs are investigating ways of improving materials, designs and manufacturing methods, so that SCAIFE products of the future will provide even greater service-value in industry, in commerce and in the home.



Scaife Company

OAKMONT (PITTSBURGH DISTRICT), PA.

Makers of Pressure Vessels For Air, Gases, Liquids

million lb. This record was established in 1948.

• **Some Limits Still**—Manufacture and sale of margarine still won't be completely without restrictions. The repeal law requires manufacturers to print the word "oleomargarine" or just plain "margarine" on the carton and on each individual stick; and all the letters of this word must be just as large as the largest letter in the brand name. Restaurants will have to identify every serving of margarine as such or post a conspicuous notice that margarine is being served. As a double check, Food & Drug Administration has asked Congress for an additional \$1-million to track down "butterleggers" who serve margarine without saying so.

What's more, margarine makers still have some state regulations to buck. There are still 15 states (including about 40% of the U.S. population) that ban the manufacture and sale of margarine in either its colored or uncolored form. And of the remaining 33 states, six charge an excise tax on margarine ranging from 5¢ to 20¢ a lb.; nine charge a retailers' license fee of from 50¢ to \$100 yearly; 12 states license wholesalers at a fee ranging from \$1 to \$500 a year.

Now the margarine makers have their sights lined up on the state restrictions, however, and are expected to knock off a few of them next year, when most of the state legislatures will be in session again.

• **Vanishing Uncolored**—In the 33 "free" states, manufacturers look for wider distribution now that the federal taxes are off—and the need for keeping complicated records and reports is gone. So far, only about 330,000 of the nation's more-than-half-a-million food outlets have handled the uncolored product; and only 33,000 handled colored margarine. The National Assn. of Margarine Manufacturers thinks that uncolored margarine will soon disappear completely from grocers' shelves. And the association has labored to show that U. S. women will save 2-billion minutes a year, since it will no longer be necessary to knead color into margarine. Yellow margarine actually costs less to make than white; that's because much of the white has been packaged in patented plastic bags that added royalties to the final retail price. Yellow coloring that is added during the manufacturing process adds virtually nothing to the cost.

Margarine makers made special arrangements with the Bureau of Internal Revenue to stockpile tax-free yellow margarine in strategic locations for quick transfer to retail stores. Some manufacturers and retailers knocked 10¢ off the price of colored margarine early in June in anticipation of the end of the federal taxes.

MAGNESIUM MAKES MANY PRODUCTS BETTER

Example
METAL BOAT

Light!



To satisfy sportsmen's demands for a really lightweight boat, a leading manufacturer is building boats almost entirely of magnesium. Because of magnesium's extra lightness he can build a 12½ foot boat that weighs just 75 lb. ready for the water—appreciably lighter than boats made of other metals.

Easy to handle ashore and afloat

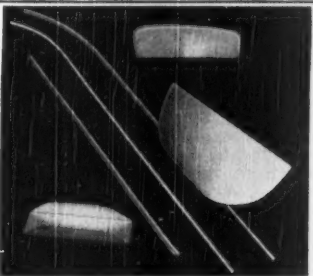
Strong!



Whether it's ashore or afloat, you don't have to "baby" a magnesium boat. For all their extra lightness, these boats are plenty strong and durable. Here again sound design has taken full advantage of the surprising strength and unsurpassed lightness of magnesium to build a better product—a lighter, more useful boat.

Designed to suit the sportsman

*made
of*



Formed magnesium sheet is used for the hull. Here, magnesium's extra lightness permitted a thicker skin, giving greater rigidity and durability without excess weight. The economy of the magnesium extrusion process made it possible to incorporate specially designed extrusions for added strength and protection at the more vulnerable points.

Dow Magnesium!

THE WORLD'S LIGHTEST STRUCTURAL METAL

Magnesium pays. It paid this boat manufacturer by giving him the important competitive advantage of much greater lightness in his boat.

If extra lightness will make your product better, easier to use and easier to sell, magnesium is the first metal you should consider. Magnesium is a full third

lighter than its nearest rival and combines this extra lightness with surprising strength. In addition, it's readily worked by well established techniques and available in all common forms.

See how manufacturers in many fields are using magnesium. Write Dept. MG-33 for a free copy of "How Magnesium Pays."



Magnesium Division • THE DOW CHEMICAL COMPANY • MIDLAND, MICHIGAN

New York • Boston • Philadelphia • Washington • Atlanta • Cleveland • Detroit • Chicago • St. Louis • Houston • San Francisco • Los Angeles • Seattle • Dow Chemical of Canada, Limited, Toronto, Canada

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Shares. The offer is made only by the Prospectus.

75,000 Shares

The Dayton Power and Light Company

Preferred Stock, 3.90% Series C, Cumulative
(\$100 Par Value)

Price \$100 a Share
and accrued dividends

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these Shares in compliance with the securities laws of the respective States.

MORGAN STANLEY & CO.	W. E. HUTTON & CO.
SMITH, BARNEY & CO.	HARRIMAN RIPLEY & CO.
THE FIRST BOSTON CORPORATION	GOLDMAN, SACHS & CO.
LEHMAN BROTHERS	WHITE, WELD & CO.
STONE & WEBSTER SECURITIES CORPORATION	KIDDER, PEARBODY & CO.
UNION SECURITIES CORPORATION	DREXEL & CO.
LEE HIGGINSON CORPORATION	PAINE, WEBBER, JACKSON & CURTIS
	SPENCER TRASK & CO.

June 21, 1950.

MARKETING BRIEFS

Newspapers' interest in TV (BW—Jun. 24'50, p21) is underlined by the Washington Post. If FCC approves, the Post will buy Washington (D. C.) video station WOIC. Only two other TV stations have been sold to date—both to newspapers.

Make women "so unhappy with what they have in the way of apparel . . . that their husbands can find no peace or happiness in their excessive savings." This is frank advice from Allied Stores' board chairman, B. Earl Puckett, on how apparel makers can help increase the sale of soft goods.

Cradle-to-grave security—or very nearly—has been worked out by Don McNeill, toastmaster of the Breakfast Club program (Swift, Philco, General Mills). American Broadcasting Co. has signed him up on a 20-year contract—radio's longest yet.

A Los Angeles appliance dealer named Lee Phillips is under injunction not to violate fair trade. He sells Sunbeam appliances at fair-trade prices—but donates a portion of the money to charities of the buyer's choosing. Does this violate the injunction? A Los Angeles court will decide.

INFORMED ACTION IS THE KEY TO SUCCESSFUL INVESTING

Mid-Year Survey OF The Municipal Bond Market

JULY, 1950

Trends and Outlook in the Municipal Bond Market

Today's broad acceptance of American municipal bonds is based in large part on a heightened appreciation of their tax-exempt status, together with timely recognition of their safety, marketability and eminently fair yield. At the same time, expanded issue volume has created increased investment opportunities in this field.

To both institutional investors and individuals, whether experienced or contemplating their first purchase of municipal bonds, this Mid-Year Survey presents timely and helpful information. It examines factors currently affecting the investment opportunities in municipal bonds, discusses the supply of and demand for such issues, inquires into the tax outlook and price trends.

Send for this Mid-Year Survey

As a guide to informed appraisal of these bonds and their market, this informative, up-to-date survey is available without obligation. Send for the new 1950 "Mid-Year Survey of the Municipal Bond Market."

HALEY, STUART & CO. Inc.
123 S. La Salle Street, Chicago 90, Illinois

Gentlemen: Please send me, without cost or obligation, 1950 "Mid-Year Survey of the Municipal Bond Market" and tax chart.

Name _____

Address _____

City _____

State _____

BJ-38

HALEY, STUART & CO. Inc.

123 SOUTH LA SALLE STREET, CHICAGO 90 • 33 WALL STREET, NEW YORK 5 • AND OTHER PRINCIPAL CITIES



New Head for Dearborn

Thomas A. Farrell, formerly vice-president of Dearborn Motors Corp., Detroit, has been named president of the company. He succeeds Frank R. Pierce, who died May 25 in Charlotte, N. C., from plane crash injuries. Dearborn Motors is the national marketing organization for Ford tractors and Dearborn farm equipment.

"More Liquor Through the House"



Good English, But Definitions Differ... Sometimes It Means "Lower Costs"!

IT ALL DEPENDS in what business you are engaged. In the workaday language of the sugar refiner, "liquor" means *sugar* liquor. So, when we say that Darco* helps get more liquor through the house in a day the sugar refiner translates it into substantial savings in time and labor.

Darco activated carbon makes a unique contribution to industry. Through *adsorption*, it eliminates impurities from such liquids as sugar liquors, dry-cleaning solvents, plating baths, chemicals, pharmaceuticals.

Adsorption? That's right. It's another "strange" word but good English for the ability of Darco to trap and hold unwanted colors, odors, tastes, and the like. By eliminating impurities impossible or costly to remove by other methods, Darco helps many industries lower the cost of producing better products in larger quantity.



*DARCO—REG. U.S. PAT. OFF.

*Darco Corporation is an unconsolidated subsidiary of
Atlas Powder Company. For activated carbons, address:
Darco Corporation, 60 E. 42nd St., New York 17, N. Y.*



ATLAS

POWDER COMPANY
WILMINGTON 99, DELAWARE
Offices in Principal Cities

Industrial Explosives • Industrial Finishes • Laundry Covers • Acids
Activated Carbons • Hexahydric Alcohols • Surface Active Agents

FINANCE

Transit Ups and Downs

RFC's turndown on loan to Chicago Transit Authority is last in long list of jolts. But 1950 prospects look better.

The transit business is one of the toughest there is these days. Since the end of the war, soaring wage and material costs and falling passenger traffic have whipsawed it year after year. Whether a system is municipally operated or privately owned makes no difference; all local street railway and bus lines, elevated and subway systems have felt the pinch (BW—Nov. 12 '49, p87).

The Chicago Transit Authority has suffered along with the rest. Ever since the city set up the authority three years ago, money problems have dogged CTA. Last week, the authority had new evidence that a transit system rides a bumpy track.

• **New Jolt**—This particular new bump was the refusal of the Reconstruction Finance Corp. to help CTA finance some sorely needed new equipment. The authority wanted 300 all-metal elevated cars, 300 modern trolley buses, and 200 motor buses—a \$20-million order in all.

CTA had been willing to put up \$5-million of its own cash. But it was depending on RFC to buy \$15-million 4% equipment trust certificates. RFC's refusal was a stiff jolt. Nowadays, if RFC turns you down, it's hard to get anyone else to put up the money.

• **Junior**—RFC balked because the deal would have left it with securities "junior" to the \$105-million worth of bonds CTA already has outstanding.

The trust indenture agreement that covers these bonds is fairly tight. It requires that the authority's gross revenues must be applied to payment of various items in this order: (1) operation and maintenance expenses; (2) debt service on the bonds; (3) a depreciation reserve fund figured on the life of equipment in use; (4) an operating reserve of \$75,000 monthly; (5) compensation, not to exceed 1% of gross, to Chicago for the use of city streets.

CTA had planned to service the RFC loan from its depreciation reserve fund accumulations. But apparently, RFC loan rules wouldn't let the agency come so far down on the creditor list.

• **10-Year Plan**—The Chicago Transit Authority formally took over ownership of Chicago's long-ailing surface and elevated lines in October, 1947 (BW—



CTA's PRESIDENT, Ralph Budd, says RFC's action won't halt his group's improvement plans.

Aug. 16 '47, p71). Both had been bankrupt since 1931.

CTA has big ideas on improvement. Its program calls for outlays totaling \$150-million over 10 years. Since 1947, it has spent \$42.4-million for 600 new streetcars, 900 motor buses, 210 trolley buses, four experimental el cars, plus other improvements.

Originally, the authority had hoped to pay for the program out of available earnings. So far, this idea hasn't worked. CTA wound up its second full year of operation last December with a deficiency of \$856,000 in its required depreciation reserve. To foot the equipment bill, it has dug into its depreciation reserves and into a \$20-million renewal fund set up to take care of equipment purchases for surface lines before CTA took over.

• **Upturn**—But there are signs that CTA's earnings may have finally turned the corner. In the last nine months, they have done a sharp about-face.

Ralph Budd, CTA chairman (and former head of Burlington Road), explains this change for the better on three grounds: (1) Last October's fare hikes have increased revenues; (2) the drop in traffic has brought cuts in operating and maintenance costs; and (3) basic economies have helped.

As a result, every month since last October, except February, CTA revenues covered all monthly operating

and maintenance expenses, bond service, and current depreciation charges—and left something to reduce the accumulated depreciation deficiency.

• **May Cheer**—The record for May was cheering. Revenues were high enough to leave a \$600,000 balance. This wiped off the last of the depreciation reserve deficiency—which last Oct. 1 was over \$2-million. And it left \$472,000 for the operating expense reserve and to pay rentals to the city.

Better yet, CTA officials are optimistic about the earnings outlook for the rest of the year. Prospects are fairly bright even though two items will push up costs: a new power contract with Commonwealth Edison and a wage increase that's expected to add about \$3-million a year to the payroll.

• **Grounds for Optimism**—CTA thinks the downtrend in passenger traffic is leveling off.

It expects to reap full benefits of such recent operating economies as:

- The changeover to a 40-hour week and the elimination of overtime;
- Substitution of one-man buses for two-man streetcars;

- A new schedule of el stops to make the el a real long-haul, rapid-transit service and shift short-haul traffic to the less expensive surface lines;

- Consolidation of administrative departments.

These steps will save the authority around \$7.5-million this year, CTA reports. It's confident that when the year's books are closed, it will have met all charges, including \$11-million due the city (the city got nothing in 1949) and that there'll be a little left over for modernization.

• **Another Try?**—Budd says RFC's loan decision won't quash CTA's effort to speed up its improvement program. Around Wall Street, they're saying CTA may try soon to sell equipment trust certificates to private investors. The word is that CTA would margin the certificates up to around 25% by a cash deposit.

Some Streeters think such an offering might sell, too. They don't altogether agree that this kind of issue would be quite as junior an obligation as RFC seems to feel. The certificates would be secured by property that would be recoverable if the issuer didn't comply with the terms of the trust. And it's doubtful that "senior" creditors (senior, that is, on the basis of priority in claims on earnings) would ever bear down too hard on holders of the equipments—who could strip the authority of a large part of its earning assets.

• **Bonds Up**—Holders of CTA's currently outstanding bonds also appear encouraged. Its 3½% bonds due in 1978, originally offered at a round 103½, sold as low as 88½ last year. Now, they are up to around 94% of par.

In the public interest

The Insurance Company of North America Companies intend to provide catastrophe coverage facilities for American enterprise.

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Up to the present many forms of large-coverage insurance protection have not been available through American insurers. Those who needed such facilities had to seek them abroad. Thus, foreign non-admitted reinsurers (who pay no taxes on their writings in this field) are freely offering this service. It appears proper that American Underwriters (who do meet their share of the tax burden) should recognize the trend and wishes of the American industry.

We see no reason why American enterprise should continue in the future to depend upon such limited facilities as have been supplied in the past by venture capital from outside the United States—especially since there are, in ample potential supply in this country, the money, the experience and the brains to provide unlimited facilities.

The Insurance Company of North America Companies are ready to use their full capacity to help meet this growing need. The first step in this direction is the offer to provide for catastrophe coverage. Provision will be made for offering other coverages equally important in those categories which have not been available through American insurers.



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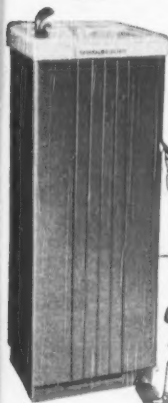


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NAME

ADDRESS

CITY

STATE

From 10¢ to \$11

That's the 19-month rise in shares of Monopower, an obscure company that owns some key patents.

Late in 1948 a Detroit broker telephoned one of his customers. He said something like this:

"We can't seem to find a buyer for that stock of yours at any price. The offer at ten cents a share hasn't attracted any takers."

The customer at the other end of the line grunted. "Can't we give it away? I want to establish a tax loss."

The broker replied: "The company is still in existence. We can't write it off. I'm afraid there's nothing we can do."

• **19 Months Later**—Last week, that same customer looked with considerable bewilderment at a quotation slip in his hand. It said that the stock he couldn't sell for a dime a share 19 months ago was now being bid for at \$10.75 a share, and offered—when any could be found—at \$11.

That hundredfold increase in the price of a security was not on a gold mine or an oil well or any other of the fabled rags-to-riches securities. It is on a company—Monopower Corp., Detroit—that exists mainly on paper, is the owner of numerous patents.

Since it was set up in the middle '30's, Monopower has sat back and held its patents close to its chest. One of those patents—for various components of automatic transmissions for automobiles—is the cause of the recent flurry in Monopower's stock.

The company signed a licensing arrangement with Borg-Warner for the patents more than a decade ago. The licensing arrangement continued; otherwise, the company situation didn't change. But now Borg-Warner is starting to make automatic transmissions for the Ford Motor Co., and those Detroiters in the know figure the Monopower patents are going to be important.

Monopower hasn't received any royalty payments yet, and if there are any ideas about future income, company officials are keeping them a secret. • **Noised Around**—But automotive news travels fast, and the company situation has been quietly noised around. Inquiries have come to Detroit from brokers on both coasts, and bidding for the outstanding shares has been spirited.

The small supply of outstanding shares is another reason that stock prices have been surging up since January. No one knows just how much stock is available. But basically the issue is small: 250,000

shares of par \$1 stock, overlaid by 5,000 shares of \$10 preferred.

At one time, five people were believed to control more than three-fourths of the total issue. How much they hold in their own accounts today is not known. But if the company's past record of being close-mouthed is any indication, chances are that not much of the floating supply has been pruned loose from their portfolios.

FINANCE BRIEFS

• **U.S. railroads** figure they spent \$496-million on road and equipment in the first half of 1950, instead of the \$475-million they planned in March. ICC's Bureau of Transport Economics says the gain was due to heavier purchases of rolling stock.

• **Short interest** on the N. Y. Stock Exchange rose 1% to about 2,370,000 shares during the month ended June 15.

• **May life insurance sales** were up 22% over last year, says the Life Agency Management Assn. For the first five months, sales were up 16%. Total insurance in force was estimated at \$220-billion.

• **AT&T** will give the Midwest Stock Exchange (BW—Jan. 24 '50, p90) and the San Francisco Exchange a boost. It is setting up stock transfer offices in Chicago and San Francisco.

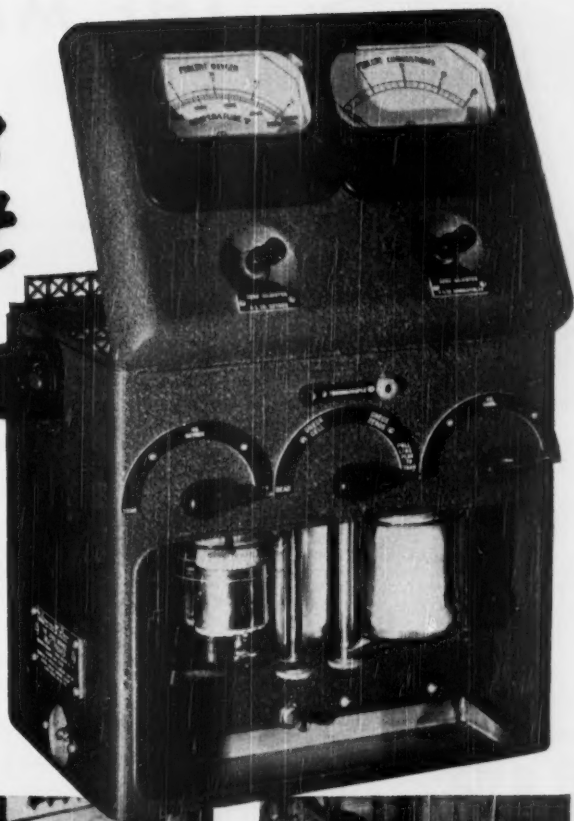


Gag Ads Plug Loans

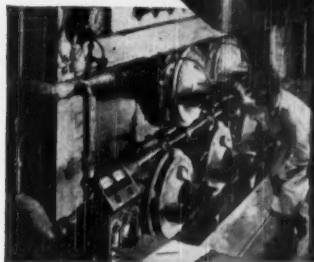
Central-Penn National Bank of Philadelphia is using cartoons by Charles Addams, the New Yorker artist who specializes in haunted houses, to push its consumer loans. This one appeared on local newspaper comic pages in a Central-Penn ad.

This Miraculous Instrument Tells All!

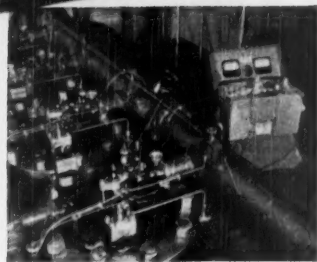
Yes, the Cities Service Heat Prover tells all you want to know about the combustion efficiency of gas and Diesel engines...and industrial furnaces of all types.



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2. Immediate Production Increases—are realized by fast control of furnace atmospheres. The Heat Prover quickly and accurately registers both excess oxygen and unburned fuel being wasted on this industrial boiler.



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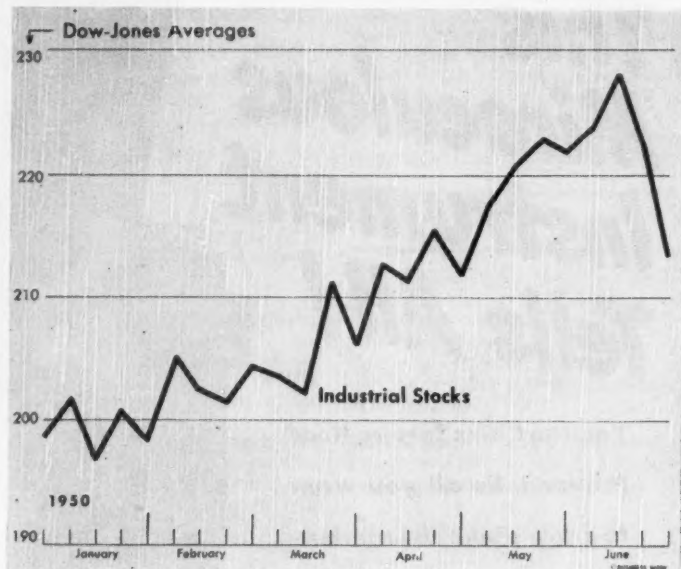
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THE MARKETS



Korea Slaughters the Bulls

Stock market breaks wide open as the shooting starts. But heavy buying comes in after the first wave of panic. Question now is whether the uptrend can survive the shock.

The Korean crisis caught Wall Street flat-footed. The Monday break carried the Dow-Jones industrial average down 10.41 points, (chart, above) the sharpest one-day drop since Sept. 3, 1946. That was when the 1946 bull market fell out of bed. Monday was the broadest market the Big Board had ever had up till then: 1,256 issues. And all but 132 declined.

Next day, the market capped that one by trading 1,260 issues. But the really impressive thing about Tuesday was that after dropping to 210.38 by two o'clock, the industrial average pulled back to 212.07 at the close. Evidently, some well-heeled investors decided not to be panicked and started buying hand over fist.

• **Churning**—For there was a tremendous churning during the afternoon, with the tape behind as far as 26 minutes on several occasions. Volume reached almost 4.9-million shares, about a million more than Monday. It was the biggest day since Sept. 5, 1939.

Now the question is: What happens to the bull market after this? Wall Street has learned how to live with a cold war, but a shooting war scares it sick. Even if the Korean situation ends

happily, the prospect of a move toward a "garrison economy"—with higher taxes, allocation of materials, and all sorts of government regulation—takes the fun out of things for a lot of Wall Streeters.

• **Hard Hit**—The Korean panic played hob with the stocks that have led the bull market upward. General Motors dropped \$8.50 to \$88, a loss of almost 9%. Chrysler fell a little more than that, percentage-wise. The steel stocks were hit hard, too. U.S. Steel fell 8.3%. National went down over 13%.

The aircraft makers, however, were riding high. They are just as much subject to wartime excess-profits taxes as steel companies. But they haven't been able to operate at anywhere near capacity in peacetime, the way steel companies have.

The "peace" stocks, which are supposed to suffer in wartime, didn't do as badly as the steels. But although Sears, Roebuck was off about 9%, Woolworth slipped back only 4%.

• **Nobody's Sweetheart Now**—Most lonesome group of all was the TV stocks, the speculative darlings of the boom. The certainty that a full-scale war would mean the end of civilian pro-

duction of TV sets was bad medicine.
• Eternal Argument—Demoralized bulls hope that the Korean panic will serve in place of the long-overdue secondary reaction. They hope that the market can consolidate and start back up again. Bears say grimly that this finishes the bull market for good.

Either could be right. But the strength of buying around the 210 level early this week indicates that many traders and investors aren't too scared to pick up something that looks like a bargain. At this week's prices, investment-type stocks look good to them—assuming that the international situation doesn't blow up completely.

A Lucky Break For New Issues

Wall Street's new-issues market just got in under the wire. By the time the chilling news from Korea hit the Street this week, most of the \$500-million in new corporate securities that were put on the market in early June had already been sold.

Underwriters were groaning under the load when this 1950 record number of new offerings jammed into the first three weeks of the month. They're thanking their lucky stars now. If the issues had come a week or two later, underwriters might have been left holding a mighty heavy bag. But they only have some light leftovers unsold.

• Big Ones—Giant offerings such as the \$110-million Columbia Gas System debentures, the \$80-million Pacific Gas & Electric bonds, and the \$60-million Northwestern Bell Telephone bond refunding cleared with ease. Leftovers last week were estimated at not over \$75-million, excluding rail equipments.

June did produce some slow movers. Hard-to-sell offerings included \$24.5-million Dallas Power & Light mortgage bonds, \$15-million Kansas City Power & Light, \$7.5-million Mississippi Power & Light, and \$6-million Arkansas Power & Light.

• High Grade—But the leftovers are all high-grade issues. If worst comes to worst, they would still be readily salable at a discount not far below their original price. What's more, there are not many more new offerings in sight for the next few weeks. So sales forces on the Street will have plenty of time to work on clearing their shelves.

The market for new issues of municipals is somewhat rockier. Inventories of unsold municipals added up to around \$180-million early this week. That's some \$20-million less than at the start of the month. But with lots of new municipal issues still to come this summer, \$180-million is still too much for comfort.

"We 'cured' our age-old production headaches ...when we banished habit-itis"

says

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Works Manager,
Production Foundries Division,
Jackson Industries, Incorporated
Birmingham, Alabama



Monsanto Resinox phenolic resins bind the sand to form inner cores in metal casting. Also used as a binder for the shell formed around the pattern in the "C" process.

Maybe you're not in the foundry business. But have you stopped to consider the unexpected industries in which plastics have recently appeared—and what an amazingly efficient job plastics are accomplishing?

Take Monsanto's Resinox phenolic resins, for instance. Whole new fields of opportunity have been opened up in such applications as bonding wood waste to produce a construction material with all the working qualities of wood; bonding wool, glass fibres and abrasives for grinding and cutting wheels; impregnating brake bands and clutch facings; laminating wood, paper and glass cloth; and now, with the development of the "C" process, an entirely new approach in metal casting that promises to revolutionize this important industry.

Noteworthy among recent developments is the application of Resinox phenolic resins as a core binder.

"We walloped the high costs that plagued our business when we discarded age-old casting habits for new ideas in materials and methods—when we switched to a Monsanto Resinox phenolic resin core binder," says Mr. Johnson. "With Resinox we found we could cut our core baking cycles 50 per cent—the equivalent of another core oven—and at the same time produce castings of closer tolerance."

Whatever your product, chances are one of Monsanto's broad line of plastics may help you do a better job...turn out a better product. Why not find out what Monsanto Plastics can do for you. Just mail the handy coupon.

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LABOR

Critical Labor Spot: Rails

Switchmen have already quit in wages-and-hours dispute; other walkouts threaten. Move for antistrike legislation grows. But barring war or transport crisis, chances are against action now.

When Pearl Harbor was attacked, a coal strike was in progress in this country.

This week, in another international crisis that had the hint of war in it, labor troubles were building up in the railroad industry. It was, for the moment, the only serious soft spot in an economy flexing its muscles for whatever the next word from the Far East might require.

The situation:

- The nation's second major railroad strike in six weeks halted trains on four western lines, crippled freight service on another. The walkout, legal under the Railway Labor Act, involved some 4,000 members of AFL's Switchmen's Union. The issue was a wages-and-hours dispute.

- While federal mediators tried to thrash that one out, three more railroad unions threatened strikes for mid-July: the Brotherhood of Railroad Trainmen and the Order of Railway Conductors, both independent unions, and the Railroad Yardmasters of America (AFL). These, too, are wages-and-hours disputes that already have gone through the strike-delaying procedure of the Railway Labor Act.

- And a new dispute, involving 2,200 Pullman conductors, started that same faltering course. A presidential fact-finding panel is expected to take up union demands for a 210-hour work month at present 225-hour pay.

Earlier—from May 10 to May 15—locomotive firemen and enginemen had struck against five key rail systems. That walkout ended when both sides agreed to submit unsettled issues to binding arbitration (BW—May 20 '50, p120).

- **Call for Action**—The walkout of locomotive firemen and enginemen brought quick demands for antistrike action on Capitol Hill. Sen. Forrest C. Donnell (R., Mo.) urged amending the Railway Labor Act to bar railroad strikes "in the public interest," and in effect to scrap fact-finding for compulsory arbitration.

In purely routine sessions of a Senate labor subcommittee, rail management backed the bill, unions opposed it. Led by AFL's President William Green, labor leaders protested it would be a first step toward compulsory arbitration and strike bans in all industry.

And Green added: The public interest in rail disputes is already adequately safeguarded by the government's right to seize and run struck roads.

The new flareups gave fresh impetus to demands for some form of antistrike action. But congressional odds still are heavily against the rail issue's coming up at this session—barring protracted, and more paralyzing, transportation tie-ups, or serious war moves.

- **Work-Week Issue**—Current strike troubles stem from an issue that has

been around since industrial workers got a 40-hour week. Rail workers want one, too, and they want it without any loss from their 48-hour pay. For the yard employees involved, that would require a 3½¢ raise.

A fact-finding board recommended a 40-hour week with 48-hour pay for 1-million nonoperating railroad workers last year (BW—Mar. 26 '49, p113)—and ended an 11-month dispute. But then operating unions chimed in with "me, too" demands.

- **Board Takes Over**—Railroad Trainmen and Railway Conductors went through the prescribed settlement procedure, step by step, to fact-finding.

When the switchmen's dispute came up a little later, President Truman referred it to the same fact-finding board. The classes of rail workers involved were the same, and there were no substantial differences in their demands. The President reasoned that to refer the second dispute to a new board would mean perhaps two conflicting recommendations on the same general facts.

The switchmen demanded a separate

What's Happening to the Cost of Living

	Total Cost of Living	Food	Clothing	Rent	Gas & Electricity	Other Fuels	Ice	House Furnishings	Misc.
August, 1939 ..	98.6	93.5	100.3	104.3	99.0	96.3	100.6	100.4	
May, 1941 ..	102.9	102.1	102.8	105.7	97.2	105.0	103.2	102.5	
May, 1942 ..	116.0	121.6	126.2	109.9	96.6	112.9	122.2	110.9	
May, 1943 ..	125.1	143.0	127.9	108.0	96.1	118.7	125.1	115.3	
May, 1944 ..	125.1	135.5	137.4	108.1	95.9	123.3	135.0	121.3	
May, 1945 ..	128.1	138.8	144.6	108.3	95.2	124.4	145.4	123.9	
May, 1946 ..	131.7	142.6	155.7	108.4	92.2	127.8	153.7	107.2	
May, 1947 ..	156.0	187.6	185.0	109.2	92.4	142.4	181.9	139.0	
May, 1948 ..	170.5	210.9	197.5	116.7	94.1	178.5	193.6	147.5	
May, 1949 ..	169.2	202.4	191.3	120.4	96.9	182.7	140.1	189.5	154.5
June	169.6	204.3	190.3	120.6	96.9	183.0	140.0	187.3	154.2
July	168.5	201.7	188.5	120.7	96.9	183.1	139.9	186.8	154.3
August	168.8	202.6	187.4	120.8	97.1	183.1	141.1	184.8	154.8
September ..	169.6	204.2	187.2	121.2	97.1	185.9	141.5	185.6	155.2
October	168.5	200.6	186.8	121.5	97.0	188.3	145.6	185.2	155.2
November ..	168.6	200.8	186.3	122.0	97.0	190.0	146.6	185.4	154.9
December ..	167.5	197.3	185.8	122.2	97.2	191.6	145.5	185.4	155.5
January, 1950	166.9	196.0	185.0	122.6	96.7	193.1	145.5	184.7	155.1
February	166.5	194.8	184.8	122.8	97.1	193.2	145.5	185.3	155.1
March	167.0	196.0	185.0	122.9	97.1	194.4	146.6	185.4	155.0
April	167.3	196.6	185.1	123.1	97.2	195.6	146.6	185.6	154.8

May, 1950 .. 168.6 200.3 185.1 123.5 97.1 189.1 146.6 185.4 155.3

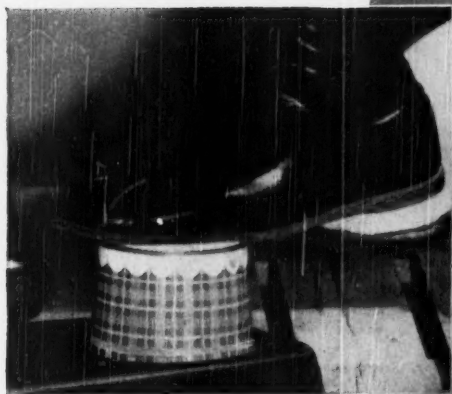
† Ice grouped with "other fuels" prior to 1948. Data: U. S. Bureau of Labor Statistics; 1935-39 = 100.

The government's cost-of-living index chalked up a rise of 1.3 points during the month ended May 15—the biggest jump since July, 1948. This continues the up-trend that started in March.

The increase won't affect the General Motors-United Auto Workers (CIO) pay scale. The next contract adjustment date

is Sept. 1—based on the c-o-l index for mid-July. But the current jump is sure to have an impact wherever contracts are still being negotiated.

The rise—which BLS says is "much greater than the usual seasonal movement"—was caused almost entirely by higher retail food prices.



Jake La Motta, 160-lb. fighter, fails to flatten Mono paper cup



Jake La Motta "weighs in" on top of a standard Continental Mono Cup. His 160 lbs. failed to flatten it.

Jake La Motta, popular middle-weight, has flattened many an opponent, but his 160 lbs. failed to flatten this regular production-line Continental paper Mono Cup.

When a paper cup is filled with cottage cheese, potato salad or other food, the capping machine applies the lid under pressure. If the cup collapses, everything is snarled up.

So Continental developed the super-strong Mono Cup. These cups are flexible so the lid can be snapped in, yet so strong that they will stand up to 171 lbs. of pressure. Middleweight fighter Jake La Motta actually stood on one without collapsing it.

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Continental's paper-container family includes these merchandising successes: The Mono "Push-Out Bottom" Cup for ice cream specialties. The Mono Waxed Cup for cottage cheese. The Mono-pane lid. And a wide variety of containers for hot drinks, wax-impregnated containers for frozen foods, spiral-wound containers for foods and beverages, and attractive ice cream containers.

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• The docile little oyster has a ragged edged shell that has interrupted many an oyster harvest at the Ballard Fish & Oyster Company's plant in Norfolk, Virginia.

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board. Not getting one, they refused to present their case. The yardmasters agreed to use the existing board.

Two weeks ago, fact-finders recommended: (1) a 40-hour week for yard employees represented by the trainmen and conductors, with an 18¢ raise and time-and-a-half "overtime" after 40 hours; and (2) the same terms for the switchmen and yardmasters.

• **Reactions**—Carriers accepted the recommendations. The trainmen and conductors—the two unions directly involved in the fact-finding—rejected them. They called the terms, which were less favorable than those the non-operating workers won in 1949, "unfair, inequitable, and injurious." But they couldn't go on strike; the law requires a 30-day "cooling off" period after the fact-finders' report is in.

The switchmen rejected the recommendations flatly and quit work. "It is our position," they said, "that no board heard our dispute in accordance with provisions of the Railway Labor Act; consequently, there could be no recommendation that would apply to us."

The yardmasters, who had expected a separate report, rejected the terms but held back on strike action.

Boycott Off

New York electrical contractors will be able to install equipment made outside the city for at least three more years.

For more than a year, New York City's Local 3 of the International Brotherhood of Electrical Workers (AFL) had a very slick device for keeping its members working. But this week, it looked as though it was through for at least three years.

Local 3 had a boycott which prohibited New York's electrical contractors from using switches, fixtures, cables, wiring, fuse boxes, and other equipment unless they carried a special Local 3 label.

In other words, unless you bought equipment made in New York plants where Local 3 had contracts, you couldn't get it installed in the city. That meant that materials made in plants of other IBEW locals, as well as in CIO plants, couldn't be installed in New York buildings.

These other IBEW locals finally got tired of being cut out of the New York market, so they started a campaign against the boycott. But it took a political feud between IBEW's President Daniel W. Tracy and Local 3's business manager, Harry Van Arsdale, Jr., to bring the thing to a head.

Last October, the international

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union filed charges against Van Arsdale (1) for violating the IBEW constitution by discriminating against other locals, and (2) for using a special Local 3 label not authorized by the international.

The Local 3 official countered by sending letters to all New York electrical contractors—telling them they were under no obligation to limit purchases to equipment made by companies with Local 3 contracts. He also announced that the Local 3 label was being discontinued.

Van Arsdale's letters ended the Local 3 boycott. But contractors and equipment-makers were still asking one big question: How long is the boycott going to stay ended?

• **An Answer**—A possible answer came this week when Tracy made public the result of referee hearings on the Van Arsdale charges. He said that Prof. Douglas Maggs, of Duke University, had heard 100 witnesses (including heads of a dozen manufacturing companies) testify in a 24-day "trial." On the basis of the referee's findings (incorporated in a 4,000-page report), Tracy said Van Arsdale had been found guilty of discrimination in IBEW.

The penalty, suspension for three years, is being held off. It will be canceled, Tracy said, if Van Arsdale complies with IBEW rules for three years. But anytime he doesn't, out he goes.

On the face of it, that seems to settle the boycott issue for at least three years.

• **But Will It?**—Local 3 says it will "live with the decision"—but intends to sound off about it at IBEW's next convention, in October. Since the local is solidly behind Van Arsdale, that could be a warning that if Van Arsdale gets booted for acting in Local 3's "best interests"—Local 3's 20,000 members will follow him out of IBEW.

Right now, Local 3 insists nothing like that is in the cards. And IBEW says such a step is "unlikely" at any time because Local 3 members would have to forfeit pension rights built up in the union.

But the deciding factor is likely to be something entirely different: the availability of jobs in New York for Local 3 members. As long as they can get jobs without the boycott, there's no point in bucking IBEW. But if they can't, then they will try to stop outside equipment from coming into New York again.

The Pictures—Cover by Charles Rotkin; Robert Isear—22, 23; Keystone—76; Wide World—73; Dick Walters—38.



UMPIRE Ronald A. Haughton will decide Ford-UAW pension disputes.

Pension Umpire

Pension plans may open new field for labor disputes. Ford and union get set by hiring pension umpire—part time.

Industrial pension plans may open up a brand-new field for labor and management to battle over. Realizing this, Ford Motor Co. and United Auto Workers (CIO) last week took a precautionary step: They appointed a special impartial umpire to handle any disputes that might come up over terms of the Ford-UAW retirement plan.

• **Part Time Only**—Company and union chose a former Detroit, Ronald A. Haughton, for the new job. Haughton has arbitrated many West Coast labor disputes during the last few years, while serving as assistant director of industrial relations for the University of California. The auto industry first spotted him in 1943 and 1944, when he was disputes director of the National War Labor Board in Detroit.

Haughton's job with Ford-UAW is part time only—a sign that, for now, anyway, neither company nor union expects too many pension disputes.

• **Areas of Dispute**—Most labor-relations men agree that there shouldn't be many pension arguments requiring an umpire's decision. Still, realistically, they do expect some. They see four areas that are likely to cause labor-management disagreement:

Worker's true age. A worker may claim he is one age to establish his status under the pension program; company records may list him as another. Social-security records may agree with

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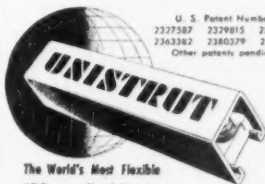
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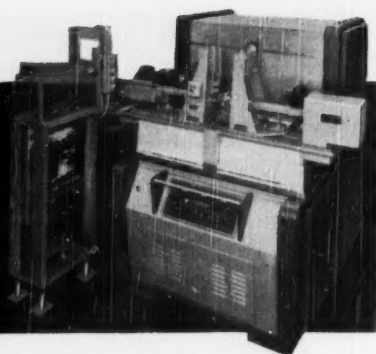
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one, or the other, or neither. There may be no birth certificate. So what age will be recognized? The arbitrator will have to decide.

Term of seniority. Many companies have only vague and incomplete records going back 20 years or more. These records—or their absence—are highly important in deciding how much a worker is entitled to receive on retirement at 65. The arbitrator will have to decide cases of conflicting company, union, and personal work records.

Early-retirement benefits. Most contracts call for "actuarial equivalents" of the full retirement benefits if a worker retires early. But union actuaries may disagree with the company on "actuarial equivalents"—and the arbitrator may have to decide which is right.

Disability retirements. Usually, contracts provide for full pension benefits—regardless of age—for "fully disabled" workers. But a company doctor and union or private physician might not agree on what constitutes total disability. Again, the arbitrator would have to decide.

Ford and UAW decided on a special umpire for pension disputes for two main reasons: Contract arbitrators are busy enough already, and retirement-plan cases promise to be a lot different from the usual run of plant disputes.

Because the field is brand-new, Haughton's work at Detroit will be watched closely throughout the country in labor-management circles.

LABOR BRIEFS

Industrial injuries to 80,000 workers in the first quarter of 1950 killed 300; permanently disabled 4,300; caused 1.6-million man-days of idleness; cost workers \$16-million in lost pay, says BLS.

New member of the House Labor Committee, Rep. Hugh Mitchell (D., Wash.), is considered "friendly" by labor, wants outright repeal of T-H law. The former senator fills the vacancy left by the death of Rep. John Lesinski (BW-Jun. 3 '50, p94).

Summer courses are under way in 14 colleges for 2,000 CIO steelworkers. They're taking time off from mills to study grievance handling, parliamentary procedure, public speaking, time-and-motion checking, job classification, etc.

A \$117.50 pension, including social security, is provided in a Motor Products Corp.-UAW contract, covering 4,000 workers. Those who retire at 65 with 30 years' service get the top amount; 25-year workers get \$100.

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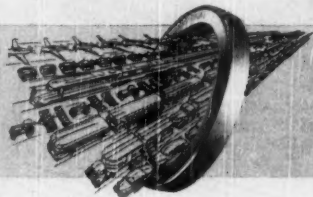
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INTERNATIONAL OUTLOOK

BUSINESS WEEK

JULY 1, 1950



The odds are against a quick solution of the Korean crisis.

Whether Stalin now wants all-out war or wants an armed truce, he still must have some cards to play before he gives his answer. And first, he will want to see how the fighting goes in Korea.

The Russian propaganda line at midweek was not aggressive. For example: The Communist press of western Europe didn't threaten sabotage or boast of Soviet military might.

But there was a hint in Pravda that Stalin might send Chinese Communist forces to help the North Koreans. That way, Russia could still stay out of the picture—officially, that is.

Militarily, Chinese intervention would make things tough for the U. S. American ground forces may be needed in any case to hold South Korea.

U. S. moves in Korea will affect the situation in Europe, as well as in the whole Far East.

In the two days before President Truman acted, you could see the defeatism rising in western Europe. If we had let Korea down, our position in Europe would have become pretty shaky.

Europeans now are worried lest the war should spread. But the majority figures that the stand had to be made.

The French political crisis won't be solved easily, despite the Korean war.

It was the Socialists who brought down the Bidault government last week. And they don't intend to back another coalition until they get some concessions. The Socialists want to reverse the trend toward economic liberalism in France.

But the Socialist deputies won't force an election by holding out to the bitter end. They won't entirely ignore the Korean situation—nor the summer vacation, which no French politician wants to miss.

The U. S. intervention in Korea came as a surprise in Britain. No one there thought the U. S. would go into action with a bang.

But Truman's move got immediate support. The British haven't forgotten what happened at Munich.

How much military support London gives probably will depend on how much Washington asks for. British naval forces in the Far East are as big as American.

London businessmen are figuring the economic consequences of the Korean affair.

Traders there say that the new tension is bound to keep right on boosting commodity prices, especially rubber and tin.

That helps Britain's dollar position, of course. But politically, they don't like it; it delays the return of real competition in world markets—the only thing, say these traders, that would show up the basic weakness of the Labor government's policies.

The wage freeze in Britain is thawing some. But the thaw will be so slow that British costs and prices won't get much out of line.

One of Britain's biggest unions, the Amalgamated Engineering Union,

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

JULY 1, 1950

has just voted three-to-one against striking for an outstanding wage claim. The question is to go to arbitration.

This is a blow to the British Communists. They thought they had a stranglehold on this union.

It's also a blow at Conservative political hopes. Labor union moderation always helps lift the Labor government's stock.

What will foreign economic aid look like after 1952? Washington economists had started to shape a definite answer before things got hot in Korea. Now arms aid may get a lot more stress. But, barring a world war, their economic ideas won't change much.

Handouts for western Europe to buy U. S. goods are out. Exceptions will be made only in the cases of Germany and Austria—and possibly Greece.

New money will be in the form of development capital. Some will go to western Europe. But most will go to southeast Asia, Africa, and the Middle East—the places where western Europe's big dollar earnings come from.

The forecast is for \$2-billion a year in development capital for many years ahead. That includes grants, as well as government loans and private foreign investments.

Administration economists say the grants may be pretty small—especially if the business community warms up to the idea of government guarantees for private investments.

The problem is to find a financial mechanism to do the job. So far, there's nothing to take the place of the international capital market that disintegrated in the 30's. Whatever the mechanism is, it will have to combine public and private sources of capital.

The U. S. and perhaps Switzerland are the only nations of the western world which can hope to provide all the development capital they need. (Until around the 1880's, the U. S. itself relied on foreign development capital.)

And without economic development, living standards must go down.

True, Marshall Plan funds have provided some development capital to western Europe. But ECA's real job has been to cover Europe's trade deficit while production came back in that area.

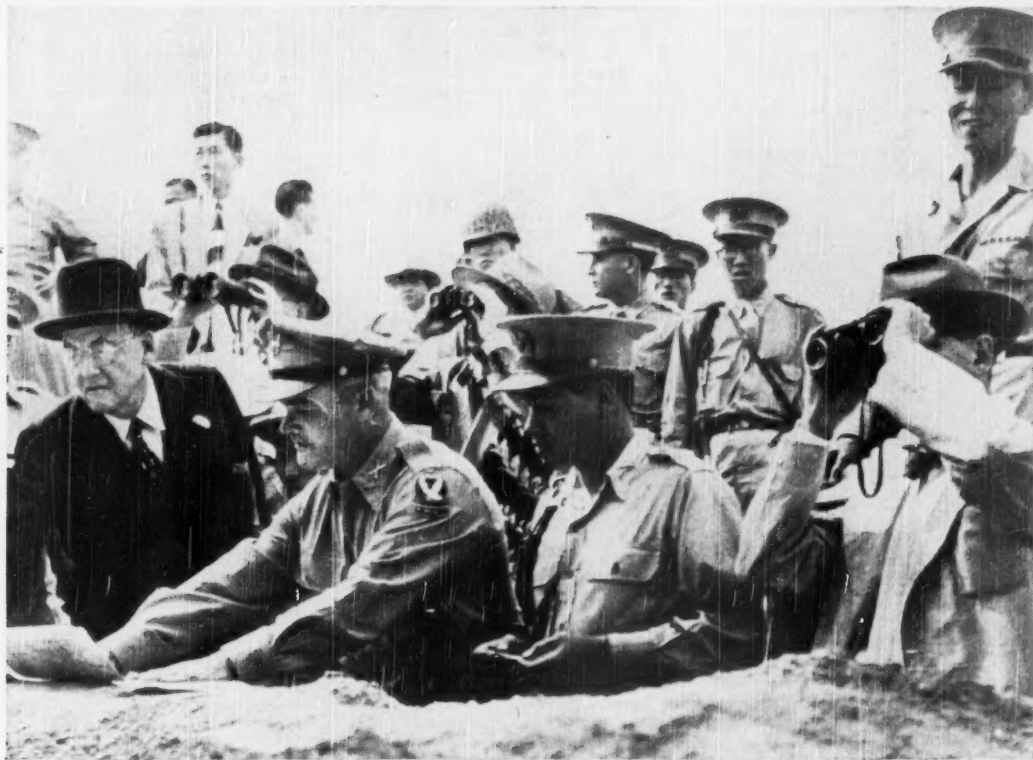
One of the big problems is how to cut western Europe in on the development business. The ERP countries will still need some extra dollars if they're to balance their trade with the U. S. at a high level.

You could solve this, say Administration economists, if U. S. loans and grants weren't tied to purchases of American goods. Thus a non-European country that got a loan could buy its machinery or what not either from the U. S. or from western Europe—wherever it's cheaper.

Freedom to compete for U. S. development dollars would do more than ease western Europe's short-run balance of payments troubles. Also, it would keep the area's industrial costs down to competitive levels.

But the Administration will have a tough time selling this to Congress. Marshall Plan dollars have meant direct orders for U. S. business. That has kept many congressmen voting funds for ECA. Letting foreigners compete for U. S. taxpayers' money won't go down so well.

BUSINESS ABROAD



AT THE 38TH PARALLEL: John Foster Dulles (left) gets a briefing from U.S. military advisers in Korea.

Korea Brings Tough Line in Far East

Stalin's thrust, timed to new U.S. policy in Japan, puts U.S. in Korean war, firms defense in Formosa, Indo-China, Philippines.

In Korea, the U.S. this week had to face a situation like Munich. President Truman replied by ordering American air and sea forces to go to the aid of the Korean Republic.

Washington's military goal is to roll the Communists back to their own territory in North Korea. But the U.S. action has a more important angle than that. The real purpose is to tell Moscow that this time it has gone too far.

The one out left for Stalin is this: Truman blamed "communism"—not Russia—for the invasion. That gives Stalin a chance to back down if he wants to.

• **Timing**—Last Sunday's invasion of South Korea caught Washington completely by surprise. But perhaps it shouldn't have. The invasion was Mos-

cow's answer to Washington's plans to strengthen the U.S. defense position in the Far East.

Even the timing of the invasion was meant to sting the U.S. Gen. MacArthur, Secretary Johnson, Gen. Bradley, and John Foster Dulles had just broken up a Tokyo huddle on the future of American-Japanese relations. They had decided that Japan must remain a U.S. bastion in the Far East, even if that meant putting off a Japanese peace treaty. Then the blow fell—without even a warning from MacArthur's intelligence.

• **Showdown?**—This much of the story is clear. What's not so clear is Stalin's real aim in launching the Communist attack. Moscow's minimum objective must be to undermine the U.S. position in Japan, to test U.S. resolution

there and elsewhere in the Far East. There's a chance, though, that Stalin has a bigger ambition—to force a general showdown with the U.S.

But Washington this week was acting on the assumption that this last was no more than a fairly remote possibility.

Even if Stalin is after a limited objective, the results of the Korean adventure are bound to be significant.

• Russia will now have to come back to the United Nations eating humble pie—or else get out of the UN for good. UN would be hopelessly compromised if it let the Russians come back unless they completely disown the Korean adventure.

• The U.S. will have to ask itself whether economic reconstruction in Europe and Asia should still have priority over rearmament.

• Regardless of what now happens in Korea, the U.S. will move fast in four other spots in the Far East:

Japan. The U.S. will push ahead with plans for permanent U.S. bases. The Japanese may grant these in return for more freedom to handle their internal affairs and a permanent subsidy for Japan's economy. There's a chance, too, that Japan will be allowed to rearm—under MacArthur's supervision, of course.

Formosa. The U.S. already has reversed its decision not to intervene militarily. The U.S. Navy has the job of preventing an invasion by the Chinese Communists. The State Dept. will continue to oppose support of the Chiang Kai-shek regime. But Secretary Acheson may now favor some form of political intervention, perhaps setting up an independent republic, minus Chiang.

The Philippines. The U.S. is moving to reinforce government forces against the Communist-led Huk. Also, Washington will have to stop coddling the Quirino regime, see that the government is run more honestly and more efficiently.

Indo-China. U.S. military aid will be boosted. An American military mission will help direct the defense against Ho Chi-minh's forces.

It's possible, too, that we may gain some ground in India. Soviet aggression may pull Prime Minister Nehru off the fence. Nehru can accept the Chinese Communists as genuine national revolutionaries who won a civil war. But he can hardly regard what's happening in Korea as less than the expansion of Soviet imperialism.

• **Like Germany**—Japan is the key spot to watch. What's likely there now is a setup much like that in Germany. The U.S. occupation would drop most of its direction over internal affairs but keep control over Japan's foreign relations. U.S. troops would stay on, too, as they have in Germany, and the U.S. would have the use of Japanese bases. Before long, MacArthur might even train some Japanese troops to add strength to the nation's defenses.

Even before the Korean war started, MacArthur, Johnson, and Bradley were leery of making any final peace treaty with Japan this year. They feared that a free Japan might renege on granting bases to the U.S. Also, they might establish separate relations with Russia and China, without regard to western interests.

• **Forward Air Base**—The case advanced by the U.S. military is this: Should war come, it will be possible, through the use of Japan as a forward air base, to attack the enemy's Asiatic strongholds.

U.S. military experts in Tokyo regard Japanese bases as a positive asset to the U.S., rather than merely as something to keep out of Russian hands. The bases would be valuable for the first 30 to 60 days of war. After

that, Russia might neutralize them with atom attacks and invasion.

If the U.S. goes through with this plan for Japan, there will be a price to pay, of course. The Japanese generally are pretty fed up with occupation and with U.S. interference in Japanese affairs. Continued control is likely to strain Japanese-American relations even further. Most Japanese believe Japan's security can be best provided for by neutrality. They fear U.S. bases will involve Japan in the cold war, make their country a certain battleground if there should be a hot war.

• **Neutrals?**—What the Japanese would like is freedom to maneuver between East and West during the cold war. Should a hot war come, they want to be able to choose sides or to be neutral, whichever seems likeliest to bring the least devastation, the greatest recovery of the old empire.

It's certain that the Japanese Communists will plug the neutrality line

hard. At the same time, they will try to sabotage industrial recovery. A shift to sabotage tactics was made this spring. It followed the row Moscow had last January with Nosaka, Japan's Communist boss.

• **Permanent Subsidy**—However you look at it, the problem of making Japan self-supporting becomes more complicated now. In the first place, the Japanese will use every bargaining weapon to wheedle more aid from the U.S. What's more, for Japan to achieve the necessary level of exports to balance its payments would require freedom for Japan to trade anywhere without restriction. Thus the Japanese are likely to ask for aid at least equal to the trade denied them with the Communist countries of Asia.

The price the U.S. must pay for staying in Japan will be a permanent subsidy for the Japanese economy. Economic aid alone will have to continue at a minimum of \$250-million a year.

Korea: How Did It Get That Way?

Korea's troubles started just as soon as the Japanese war machine folded in August, 1945. Since then, Koreans have been involved in a "lukewarm" civil war, with two hostile governments glaring—and sometimes shooting—at each other across the 38th parallel.

• **Proposition**—To hurry up the surrender of the 178,000 Japanese troops in Korea, U.S. and Soviet military men agreed to divide Korea arbitrarily at the 38th parallel, north latitude. The idea was that the Russians, already poised on the Manchuria-Korea border, could most easily accept the surrender of the Japanese above the line; and the U.S. was in the best position to do the job in the South.

The U.S. never intended the 38th parallel to be a permanent boundary—it was only chosen as a temporary military arrangement. As soon as the Japanese were disarmed and sent home, the two occupying powers were to get together and set up a brand-new, all-Korean government. At the Cairo conference in 1943, and at Potsdam in 1945, all the Allies had pledged to work for a free and independent Korea.

• **Disposition**—But the Russians had other plans. From the first, they refused to cooperate with the U.S. forces in evacuating the Japanese. Instead, tens of thousands of Japanese soldiers were spirited away to Siberia—for forced labor and Communist indoctrination. All U.S. invitations to get going on Korean unification were turned down flat, and the Soviets embarked on their now-familiar process of molding a satellite.

To break the impasse, Lt. Gen. John R. Hodge, U.S. occupation com-

mander, turned to the Big Three foreign ministers for help. Meeting in Moscow, in December, 1945, the ministers concluded an agreement that looked as if it might serve as a basis for a Korean settlement. Accordingly, a joint U.S.-U.S.S.R. commission was established, meeting in Seoul early in 1946. The result, however, was a total washout: The Russians insisted that only Korean Communists and Communist supporters should be allowed to participate in the formation of a new government.

• **Up to UN**—A year later, U.S. and Soviet officials met again in Seoul, found they were no closer to agreement than before. So the issue was laid in the lap of the United Nations.

The General Assembly promptly took up the Korean question. In November, 1947, despite the hue and cry of protest from Russia and the satellites, the Assembly set up the United Nations Temporary Commission for Korea. The Assembly called for free elections in Korea to choose a national assembly that could draw up a constitution and establish a government. In addition, the UN commission was sent off to Korea to size up the situation—and a UN group has been in Korea ever since.

Rather than have the UN investigators snooping around, the Soviets rang down the Iron Curtain hard on the 38th parallel, refused to let the UN team into North Korea.

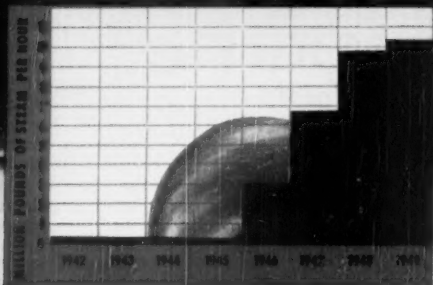
• **Two Governments**—With no chance for elections in the North, the UN set about running elections in U.S.-occupied Korea. In May, 1948, South Korea's 20-million persons got their first taste of democracy—after 35 years

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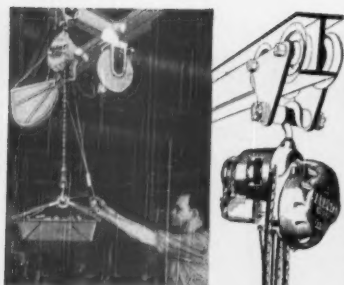
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See Clues Section on Page 78



SOUTH KOREA'S ARMY is U.S.-trained, U.S.-equipped.

of Japanese totalitarianism. It's estimated that 80% of those eligible to vote registered; of these, more than 90% actually went to the polls. Delegates were chosen, a new constitution was drafted, and in August, 1948, Dr. Syngman Rhee was inaugurated as the Republic of Korea's first president. A big block of seats in the National Assembly was left vacant for North Korea assemblymen—if they ever came.

Not to be outdone, the Communists in North Korea immediately dubbed themselves the "Peoples Democratic Republic of Korea," claiming jurisdiction over the entire Korean peninsula and its 30-million inhabitants.

Both governments, guided by their respective patrons, rushed off to seek admission to the UN. The Republic of Korea (South) managed to get as far as the Security Council, where a Soviet veto quashed its application. The "Peoples Democratic Republic" (North) didn't even get that far.

• **"Withdrawal"**—In December, 1948, the Russian propaganda machine trumpeted loudly that all Soviet troops had been withdrawn from Communist Korea. But since the UN investigation team was barred from crossing into the northern sector, no one would verify the exact time and extent of the withdrawal. By June, 1949, the U.S. had pulled its army out of the South—under UN observation. In a deal with the Rhee government, the U.S. left a 500-man military mission behind to train the new Korean army. The Russians left that many—and probably more—to beef up the North Korea forces.

There hasn't been any peace in Korea since the U.S.-Soviet withdrawal. Bullets have whizzed back and forth across the 38th parallel all the time. The Communist Korea radio has filled

the air with boasts of its successes against the southerners. The Republic has gone in for a lot of sword-rattling, too. Rumor has it that U.S. military men had to ration ammunition because of over-anxious Korean trigger fingers.

• **Frail Beacon**—The net result of the "lukewarm" civil war was that the Republic hasn't quite become the "beacon" of democracy in Asia that President Truman hoped for a year ago. President Rhee believes he can't afford the luxury of democracy and at the same time keep the Communists out. His regime has been shaky, troubled always with rebellion and underground activity. So he has depended largely on the army for support and kept a tight clamp on civil liberties.

• **The Armies**—The Russian-trained Red Korea army has some 95,000 men, is equipped mainly with captured Japanese and surplus U.S. arms—most of which came from the Chinese Communists. Latest reports indicate that Russian material on the scene now includes Yak and Stornovik fighter planes, plus tanks and field guns.

The U.S.-trained South Korea army, numbering around 100,000, has been optimistically called one of the best fighting forces in Asia. U.S. military advisers have been active on the battalion level, teaching modern war techniques; and just about all Korean officers have been handpicked by the Americans. Lack of an air force was the big strategic problem at first: Until this week, South Korea had only a handful of ancient U.S. training planes.

• **Economic Plight**—Economically, the splitup of Korea has hit the southern government hardest. Heavy industry, raw materials, and hydroelectric power are all concentrated in the North. South Korea is a rice and grain pro-

ducing region—potentially rich in food-stuffs, but low on industrial and mineral resources. When the Soviets cut off the South from northern power in May, 1948, South Korean industrial production fell to a fraction of the prewar level. And in April, 1949, the Rhee government banned all trade with the Communists—cutting off supplies of much-needed, fertilizers and manufactured products.

Both halves of Korea have managed to get along—barely: The Peoples Republic has been riveted to the U.S.S.R. with trade pacts. South Korea has had to depend on the U.S. Army, then on ECA for a bare-bones living. So far, ECA has poured about \$99-million into Korea—and \$60-million more was on the docket for this year. A trade agreement with Japan has helped some.

Bogged in Iran

OCI hits political snags before it even starts on main tasks of \$650-million, seven-year development program in Iran.

When Overseas Consultants, Inc., launched its \$650-million development program in Iran last fall (BW—Oct. 29 '49, p. 112), it knew it faced a long, tough job. The Iranian government had given the New York group (representing 11 prominent U.S. engineering companies) seven years in which to hike the country from an almost medieval standard of living to something like a modern, industrial economy.

• **Tougher Than Expected**—Now, after nine months on the job, OCI developers are finding it's tougher than they expected. Since OCI set up shop in Iran last October, crop failures coupled with the usual shiftless administrative habits of a Middle East government have pushed Iran to the brink of a serious economic collapse. That fact, plus local prejudice and pressure from Russia in the north, have caused OCI's efforts to bog down.

But the climate for OCI in Iran may take a shift for the better: Last week, there was a major shakeup in Iran's government. The Shah named his army chief of staff, Gen. Ali Razmara as premier, told him to form a new cabinet.

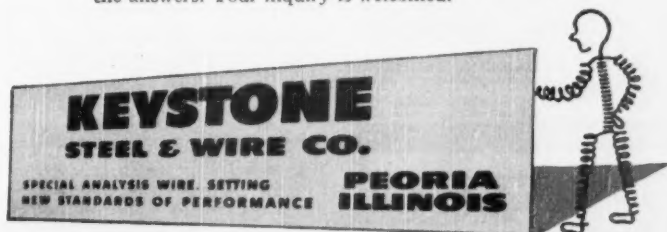
• **Attentive Audience**—Point 4 planners in the State Dept. are anxiously watching OCI's progress in Iran. They hope that initial discouragements won't cause the company to throw in the sponge. For if all goes well in Iran, State thinks it will set a good precedent for similar development programs in other countries. But if the Iran project fails, the whole Point 4 idea takes a sharp setback. Even worse, it might mean the



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loss of an ally right on Russia's doorstep.

But the State Dept. isn't leaving it all up to OCI. Last week, it dispatched a trouble-shooting mission, led by Ambassador Henry F. Grady, who recently took over at Teheran after three years in Greece. The mission will see if the U. S. taxpayer must again come across with money as he did in Greece to bail out a strategically located country.

• **Snags—OCI** ran into snags right off the bat when it tried to set up an organization to administer the development program and find steady income to keep it going.

The Iranian government created a new department, called Plan Organization, to supervise all development work. It appointed a general manager. And OCI succeeded in finding enough competent Iranians to staff some 25 branch offices. So far, so good.

Trouble is, OCI officially is only an adviser to Plan Organization. It has no direct authority. Plan Organization is financed entirely by the Iranian government. Projects are supposed to be worked out inside Plan Organization, funneled up through the general manager, and finally approved by a high council, appointed by the Iranian parliament. For the first nine months, however, the process has often been reversed.

First, the high council decided that Plan Organization should carry out a relief mission in Iran's northern province of Azerbaijan. In the provinces right on Russia's border, civil strife and a food shortage had created a potentially explosive situation. It wasn't exactly in OCI's line of work. But orders came down from above, and OCI's scheduled operations were delayed accordingly.

• **Odd Job—Next**, the high council decided that Plan Organization should take over the government's Industrial & Mining Bank. The bank owned a good chunk of Iranian industry, all of which was badly in the red; and its losses were straining the government's pocketbook to the limit.

Again OCI's men had to switch signals. They began reorganizing the industries in which the bank had a major stake. Payrolls were cut way back, plants were provided with new working capital.

It looks now as though these industries are at least breaking even. But the time lost and the cost of reorganizing the Industrial & Mining Bank threw OCI's schedule even further behind. The reorganization job took more than half of Plan Organization's total first-year appropriations—an equivalent of \$50-million. Fired plant officials returned to Teheran to stir up feeling against OCI. And in the middle of the

whole affair, the political winds in Teheran shifted; Plan Organization's general manager was tossed out and replaced by another.

• **Money Shortage**—Plan Organization is financed entirely by the Iranian government. And the drain on its resources has put it in a financial hole. This makes it even harder to get the original project going on schedule.

Three sources of money are available to help the Iranian government finance its development projects: (1) oil royalties, (2) funds of the Iranian Central Bank, and (3) the World Bank.

The first two of these are currently tied up by political wrangles, and the third will take time to tap.

Oil royalties from Anglo-Iranian Oil Co.'s operations in southern Iran have been pledged to the development program over the next seven years. But politics is holding up the money.

Last year, Iran made a deal with the British upping royalties to something under 50%—by far the best bargain in the Middle East. But the Iranian parliament so far hasn't ratified the agreement. Some deputies think Iran should get at least a full 50% royalty. (The Venezuelan government gets that much.) Other deputies are clamoring for expropriation of the oil fields.

The Iranian Central Bank could provide at least part of the needed development funds. But this avenue is blocked by a political squabble. The bank now follows a policy of 100% note coverage. A bill is now before the parliament to ease this limitation so the bank can loan money to Plan Organization. But opposition is strong.

• **Trump Card?**—Eventually, the World Bank may put some money into the pot. But OCI's operations haven't progressed far enough yet to qualify for a World Bank loan.

Lack of capital has slowed the project down a lot. Money is needed to hire competent technicians from abroad. (The salaries paid to foreigners look fantastic by Iranian standards, and that starts plenty of political brawls.) Money is needed for materials and some equipment. And OCI does not want to get caught in the middle of a project with its funds cut off.

• **Patience, Diplomacy**—Since it is advisory only, OCI must feel its way along slowly and with great diplomacy. Many observers believe that the program will never work unless a nonpolitical man—preferably an American—is put in charge. But old hands in the Middle East—as well as OCI itself—reject this. The political repercussions would be disastrous, for one thing. Then, when the time comes for letting contracts in a big way, OCI would be open to the charge of channeling all business to its member companies. OCI wants to avoid that charge at all costs.

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In Korea—We Seize the Initiative

Developments in Korea this past week have left a profound impression upon the business community, as upon all other elements in our country. It is too soon to appraise the final significance of the Communist resort to armed conflict in the cold war; but the results are certain to be far-reaching. We have had a vivid reminder that we live our lives and must conduct our affairs under a worldwide menace to peace—and that all our plans are subject to sudden hazards that may develop far away and without warning.

President Truman's historic decision—ordering our Air Force and Navy to support the South Koreans and to defend Formosa—reflected a truly national determination to force Communist aggression to count the cost.

No one can be certain whether this thrust which the Kremlin has ordered against the non-Communist world in Korea is a local action or whether it is the start of the showdown.

Americans remember, however, that long before the invasion of Poland, Hitler tested his weapons in Spain and the mettle of his future adversaries in the Rhineland, Austria, and the Sudetenland.

Then, unfortunately, no one rose to challenge Hitler. This time, the strong line that our government is taking against Stalin's bold move is different and it is reassuring.

The Economic Impact

The Communist attack and the President's commitment of our armed forces to resist it has changed the face of the cold war. And some of the consequences are already pretty clear.

The change in Communist tactics from subversion to open aggression will probably mean a sharp stepping up of our military effort (page 19). The limited-liability attitude will give way to a broader concept of our own defense needs and those of our allies. It will mean a speeding up of the Atlantic Pact arms program.

Clearly, this involves a bigger budget and accelerated procurement. The strength shown by the aircraft stocks on the market selloff is an indication that investors are already anticipating the impact of new orders in this field. The rise in basic metal prices reflects a similar expectation.

The effect on our economy of the fight in South Korea cannot be accurately gauged until we have a better notion of the scope of that operation and its aftermath.

But this we do know: A decade ago when we began

seriously to arm ourselves and the free world, there was a great deal of slack in our economy—in manpower, materials, and manufacturing capacity. Then, we had some 8 1/2-million unemployed, compared with a virtual minimum of three million today. Then, we were using only four-fifths of our steel capacity, compared with more than 100% of rated capacity today.

Expanded arms production will subject our economy to steady pressure. The speed and scope of the program will determine how rapidly or slowly we pass through successive stages of taking up any existing slack, of increasing output, and of facing the choice of whether we can produce all of everything we want.

That the new defense effort starts with a federal fiscal picture including very high tax rates, an unbalanced budget in boom times, and a tremendous public debt poses the difficult problem of producing and paying for the arms we need without setting off a new inflationary spiral.

The Political Impact

Politically, the meaning of the tragic aggression in Korea is clearer. Certainly, it will deal a heavy blow to reviving isolationism—just as Hitler's invasion of the Low Countries did a decade ago. Bipartisanship in the conduct of foreign policy should be greatly strengthened. Opposition to the program of rearming may be expected to dissolve.

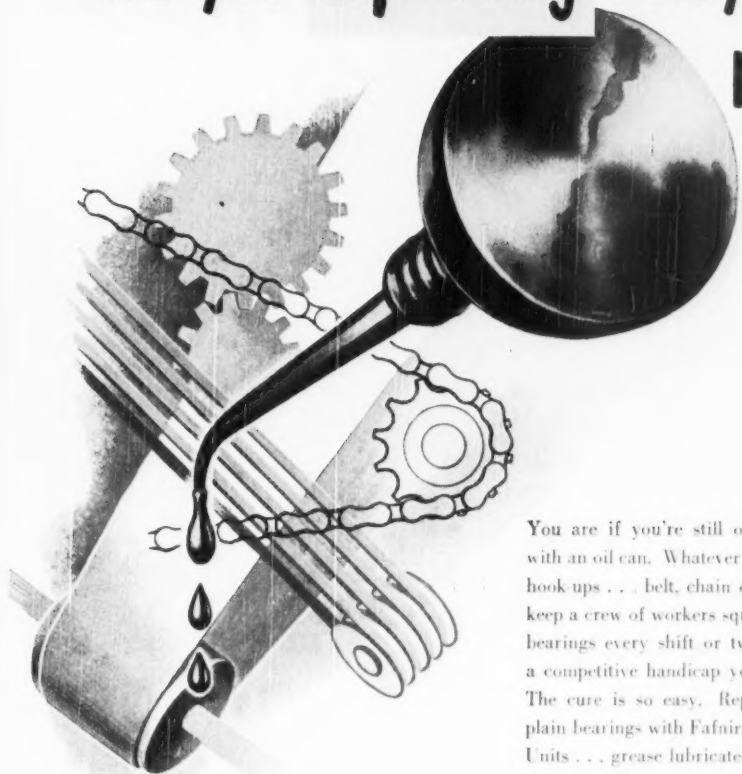
At the same time, however, new questions of priorities are posed. Where will we invest our military aid, now that vast Asia has become an active theater of conflict? We must not let the events in the Far East make us forget our obligations to carry forward our successful campaign in Europe.

Towering above all these aspects of the Kremlin's latest move is our decision to use our own military forces to resist Communist aggression on foreign soil. Against fascism, and later against communism, the free world held back from trying to deter the aggressor until it was too late—until an irrevocable commitment was made.

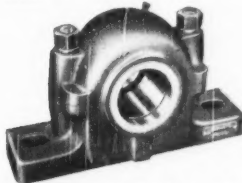
When the President drew the line at the 38th parallel in Korea, he put the responsibility for the course of future events squarely on the Kremlin. He has left the Politburo a chance to withdraw and reconsider before it is too late. His action provides a clear measure of the firmness of our nation's will to give the free way of life a chance to survive in the world.

It is a hazardous course. But the course of appeasement is even more so.

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